RICI HEALTHCARE
HOLDINGS LIMITED
瑞慈醫療服務控股
有限公司

INTERIM REPORT

2020中期報告

CONTENTS

Definitions

In this interim report, unless the context otherwise requires, the following expressions shall have the following meanings.

"Audit Committee"	the audit committee of the Board
"Board of Directors" or "Board"	our board of Directors
"BVI"	British Virgin Islands
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"Changzhou Rich Hospital"	Changzhou Rich Obstetrics & Gynecology Hospital Co., Ltd. (常州瑞慈婦產醫院有限公司), a company incorporated in the PRC with limited liability on July 12, 2016, which operates a high-end obstetrics, gynecology and pediatrics hospital established in Changzhou City, Jiangsu Province
"Chelsea Grace"	Chelsea Grace Holdings Limited (翠慈控股有限公司), a company incorporated in the BVI with limited liability on July 11, 2014, which is entirely owned by Dr. Mei
"China" or "PRC"	the People's Republic of China, which, for the purpose of this interim report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"Class III Hospital"	the largest and best regional hospitals in China designated as Class III hospitals by the National Health and Family Planning Commission of the PRC's hospital classification system, typically having more than 500 beds, providing high-quality professional healthcare services covering a wide geographic area and undertaking more sophisticated academic and scientific research initiatives
"Company", "our Company", "Rici", "Group", "we", "our" or "us"	Rici Healthcare Holdings Limited (瑞慈醫療服務控股有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on July 11, 2014 and except where the context indicated otherwise, (i) our subsidiaries and (ii) with respect to the period before our Company became the holding company of our present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Company Secretary"	the secretary of the Company
"Controlling Shareholder(s)"	Dr. Mei and Chelsea Grace or any one of them
"COVID-19" or "Pandemic"	a viral respiratory disease caused by the severe acute respiratory syndrome coronavirus 2, which is believed to have first emerged in late 2019
"Director(s)"	the director(s) of our Company or any one of them
"Dr. Fang"	Dr. Fang Yixin, our chairman, chief executive officer, executive Director, the spouse of Dr. Mei and the father of Mr. Fang Haoze
"Dr. Mei"	Dr. Mei Hong, our executive Director, our Controlling Shareholder, the spouse of Dr. Fang and the mother of Mr. Fang Haoze

"Grade A, Grade B and Grade C"	hospitals in China can be categorized into Class I, II and III in terms of service quality, management level, medical equipment, hospital size and medical technology. Each class can be further divided into Grade A, Grade B and Grade C. Class III Grade A hospitals are the top level hospitals in China
"HK$" or "Hong Kong dollars"	Hong Kong dollars and cents, each being the lawful currency of Hong Kong
"HKFRSs"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IPO"	the initial public offering of the Company, having become unconditional in all aspects on October 6, 2016
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	October 6, 2016, on which the Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"Nantong Meidi"	Nantong Rich Meidi Elderly Care Center Co., Ltd. (南通瑞慈美邸護理院有限公司), a company incorporated in the PRC with limited liability on August 19, 2014, which is a subsidiary of a joint venture of our Group
"Nantong Rich Hemodialysis Center"	Nantong Rich Hemodialysis Center Co., Ltd. (南通瑞慈血液透析有限公司), a company incorporated in the PRC with limited liability on September 8, 2017, which is an indirectly wholly-owned subsidiary of our Company
"Nantong Rich Hospital"	Nantong Rich Hospital Co., Ltd. (南通瑞慈醫院有限公司), a company incorporated in the PRC with limited liability on August 14, 2000, which is an indirectly non-wholly-owned subsidiary of our Company
"NHC"	National Health Commission (國家衛生健康委員會) of the PRC
"Nomination Committee"	the nomination committee of the Board
"OGP"	obstetrics, gynecology and pediatrics
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by the Company on September 19, 2016

Definitions

"Prospectus"	the prospectus of the Company dated September 26, 2016
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the six months ended June 30, 2020
"RMB"	Renminbi, the lawful currency of the PRC
"Rich Shuixian"	Shanghai Shuixian Obstetrics & Gynecology Hospital Co. Ltd. (上海瑞慈水仙婦兒醫院有限公司), a company established in the PRC with limited liability on October 17, 2016 and an indirectly non-wholly-owned subsidiary of the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shanghai Rich Medical"	Shanghai Rich Medical Investment Group Co., Ltd. (上海瑞慈醫療投資集團有限公司), a company incorporated in the PRC with limited liability on August 25, 2014, which is an indirectly wholly-owned subsidiary of the Company
"Share(s)"	ordinary share(s) of US$0.0001 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Share Option Scheme"	the share option scheme conditionally adopted by the Company on September 19, 2016
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Companies"	Guangzhou Rich Zhongxin Clinic Co., Ltd. (廣州瑞慈中信門診部有限公司), Suzhou Rich Ruihe Clinic Co., Ltd. (蘇州瑞慈瑞禾門診部有限公司), Nanjing Rich Ruixiang Clinic Co., Ltd. (南京瑞慈瑞祥門診部有限公司), Nantong Rich Ruifeng Clinic Co., Ltd. (南通瑞慈瑞峰健康體檢中心有限公司), Wuxi Rich Ruixi Clinic Co., Ltd. (無錫瑞慈瑞錫門診部有限公司), Yangzhou Rich Ruiyang Integrated Chinese and Western Medicines Clinic Co., Ltd. (揚州瑞慈瑞揚中西醫結合門診部有限公司) and Xuzhou Rich Ruixu Clinic Co., Ltd. (徐州瑞慈瑞徐體檢門診部有限公司)
"Vendor"	Shanghai XDWYS Asset Management Co., Ltd. (上海新東吳優勝資產管理有限公司), a company incorporated in the PRC with limited liability on February 23, 2013
"Wuxi Rich OGP Hospital"	Wuxi Rich Obstetrics, Gynecology and Pediatric Hospital (無錫瑞慈婦兒醫院)
"%"	per cent

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Dr. Fang Yixin *(Chairman and Chief Executive Officer)*
Dr. Mei Hong
Mr. Fang Haoze
Ms. Lin Xiaoying

Non-executive Director
Ms. Jiao Yan
Mr. Yao Qiyong *(retired with effect from June 19, 2020)*

Independent Non-executive Directors
Dr. Wang Yong
Ms. Wong Sze Wing
Mr. Jiang Peixing

COMPANY SECRETARY

Mr. Chen Kun *(Solicitor of HKSAR)*

AUTHORISED REPRESENTATIVES

Dr. Fang Yixin
Mr. Chen Kun

AUDIT COMMITTEE

Ms. Wong Sze Wing *(Chairlady)*
Ms. Jiao Yan
Dr. Wang Yong

REMUNERATION COMMITTEE

Mr. Jiang Peixing *(Chairman)*
Ms. Wong Sze Wing
Dr. Mei Hong

NOMINATION COMMITTEE

Dr. Fang Yixin *(Chairman)*
Dr. Wang Yong
Mr. Jiang Peixing

AUDITOR

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

REGISTERED OFFICE

4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

20/F, Building 1
Donghang Binjiang Center
No. 277 Longlan Road
Xuhui District
Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2413A, 24/F.
Tower One, Lippo Centre
89 Queensway, Admiralty
Hong Kong

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
4-4A Des Voeux Road Central
Hong Kong

Shanghai Pudong Development Bank
Zhangjiang Hi-Tech Park Branch
151 Keyuan Road
Pudong New District
Shanghai
PRC

China Merchants Bank
Jinshajiang Road Branch
1759 Jinshajiang Road
Putuo District
Shanghai
PRC

Bank of Communications
Zhang Jiang Sub-branch
560 Songtao Road
Pudong New District
Shanghai
PRC

Bank of Shanghai
Zhangjiang Sub-Branch
No.665 Zhang Jiang Road
Pudong New District
Shanghai
PRC

HONG KONG LEGAL ADVISER

Wilson Sonsini Goodrich & Rosati
Suite 1509, 15/F, Jardine House
1 Connaught Place, Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Services (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE AND BOARD LOT

Stock Code: 1526
Board Lot: 1,000

WEBSITE

www.rich-healthcare.com

Management Discussion and Analysis

BUSINESS OVERVIEW AND STRATEGIC OUTLOOK

Industry Overview

During the Reporting Period, numerous industries were affected negatively to different degrees due to the Pandemic. While healthcare companies were inevitably negatively affected by the Pandemic, it also raised the healthcare awareness of consumers in China, which might have positive effects on the long-term development of the healthcare industry.

The first half of 2020 was difficult for the hospital industry in China as a whole. According to Number of Medical Institutions in China at the end of June 2020 (《2020年6月底全國醫療衛生機構數》) and Medical Service Conditions in China during January to June 2020 (《2020年1–6月全國醫療服務情況》) published by NHC in August 2020, as of the end of June 2020, there were 35,000 hospitals in China, comprising 12,000 public hospitals and 23,000 private hospitals, representing a decrease of 38 public hospitals and an increase of 1,406 private hospitals, respectively, as compared to the end of June 2019. From January to June 2020, 1.2 billion and 220.0 million visits took place in public and private hospitals, representing a year-on-year decrease of 22.0% and 18.0%, respectively, while 67.3 million and 17.1 million patients were discharged from public and private hospitals, representing a year-on-year decrease of 18.8% and 1.5%, respectively.

As for the medical examination industry, under the impacts of the Pandemic in the first half of 2020, while on one hand, medical examination centers in many regions in China had to adjust their operation hours based on anti-pandemic requirements, leading to a decreased number of visits when the Pandemic was most severe, on the other hand, the Pandemic has also accelerated the process of medical examination services transferred from offline to online. In the long term, the Pandemic might further raise the awareness about health among consumers in China, contributing to promising growth prospects for the medical examination industry.

In terms of the OGP industry, even though the overall birth rate is currently in decline, the sub-replacement fertility and consumption upgrades have driven the increase in demands for high-quality OGP services from a new generation of consumers. There is still plenty room for the growth of middle and high-end OGP services. The Pandemic is a test for the OGP industry, expediting the phase-out of less competitive industry players and allowing the OGP industry to develop in a healthier and more orderly manner in the future.

General Hospital Business

Nantong Rich Hospital is the medical service center in southeast Nantong and the only high-level general hospital in Nantong Economic and Technological Development Area. It is now a Class III Grade B general hospital, a designated hospital for medical insurance reimbursement and a National Standardized Medical Residency Training Coordination Bases (國家級住院醫師規範化培訓協同基地). In May 2020, Nantong Rich Hospital became an affiliated hospital of Nantong University (南通大學) under the name of Nantong University Affiliated Rich Hospital (南通大學附屬瑞慈醫院). As of June 30, 2020, it had 277 doctors, 115 medical technicians and 431 nurses. Nantong Rich Hospital attaches importance to clinical research and development, and has one Construction Project for National Key Clinical Specialty (pediatric surgery) (國家臨床重點專科建設項目(小兒外科)), one Provincial Key Clinical Specialty under Construction (pediatrics) (省級重點建設專科(兒科)), seven Municipal Key Clinical Disciplines Specialties (市級臨床重點專科) (including pediatrics, orthopedics, cardio-thoracic surgery, cardiovascular medicine, nursing (pediatrics), general surgery and ophthalmology) and one Municipal Key Discipline under Construction (pediatrics general medicine) (市級重點建設學科(小兒內科)). During the Reporting Period, the hospital vigorously carried out research projects, including one new project of new technology and 25 ongoing research subjects. During the Pandemic, the hospital fulfilled its public responsibility to control the local pandemic and sent three medical staff to join the second batch of medical team from Nantong for supporting Hubei.

Nantong Rich Hospital was affected to some degrees by the Pandemic, but recovered faster than its industry peers. Furthermore, since the Pandemic prompted more local patients to seek medical services locally, while the numbers of outpatient and inpatient visits during the Reporting Period decreased as compared with the corresponding period of the last year, the revenue increased as compared with the corresponding period of the last year. During the Reporting Period, revenue of Nantong Rich Hospital was RMB252.4 million (corresponding period in 2019: RMB241.5 million), representing an increase of 4.5% as compared with the corresponding period of the last year. During the Reporting Period, the number of outpatient visits of Nantong Rich Hospital was 151,984 (corresponding period in 2019: 185,982), and the number of inpatient visits of Nantong Rich Hospital was 11,365 (corresponding period in 2019: 13,173), which decreased by 18.3% and 13.7% as compared with the corresponding period of the last year, respectively.

The Group established Nantong Meidi and Nantong Rich Hemodialysis Center, leveraging on the medical resources of Nantong Rich Hospital. Nantong Meidi is jointly established with a Japanese elderly care management company, Medical Care Service Company (日本美邸養老服務有限公司), featuring a combination of medical treatment and elderly care and mainly providing services for elderly with disability and dementia. As of June 30, 2020, Nantong Meidi served 100 elderly people and enjoyed an occupancy rate of 94.3% (as of June 30, 2019: 103, 100%). The occupancy rate dropped because Nantong Meidi required appointments for visits and admissions during the Pandemic. Nantong Rich Hemodialysis Center is aimed at providing personalized and scientific dialysis solutions as well as independent and professional healthcare management services to patients with nephropathy, so as to improve their life quality and survival rate. During the Reporting Period, Nantong Rich Hemodialysis Center provided dialysis treatment 9,189 times (during the six months ended June 30, 2019: 5,342), representing an increase of 72.0% as compared with the corresponding period of the last year.

Medical Examination Business

During the Pandemic, some medical examination centers under our medical examination business made different adjustments to operation arrangement to comply with local policies. Meanwhile, our medical examination business was involved in anti-pandemic actions, proactively fulfilling its social responsibilities. Our medical examination center in Wuhan actively facilitated the allocation and transportation of local supplies during the Pandemic, while our medical examination staff in Shanghai, Nantong and Hefei participated in local anti-pandemic work. Moreover, Rici's medical examination business donated RMB5.0 million worth of high-end medical examination services to Shanghai Medical and Hygiene Development Fund (上海市醫藥衛生發展基金) for frontline anti-pandemic medical staff and their families. In addition, our medical examination business donated RMB5.0 million worth of high-end medical examination services to Red Cross Society of China Nanjing Branch (南京市紅十字會) for the medical staff who aided in Wuhan from Nanjing and working in the frontline of anti-pandemic in districts of Nanjing.

Meanwhile, our medical examination business continued to pursue the dual-brand strategy. The second medical examination center under our high-end medical examination brand, "MEDIC International Medical Examination (幸元會國際健康體檢)", officially opened in Gubei, Shanghai in the Reporting Period.

As of June 30, 2020, the Group had 60 medical examination centers in China (as of June 30, 2019: 57), representing a year-on-year growth of 5.3% and covering 28 cities. These medical examination centers are mainly located in first-tier, new-first-tier and second-tier cities.

During the Reporting Period, the total number of visits of customers under our medical examination business was 590,617 (corresponding period in 2019: 905,375), representing a decrease of 34.8% as compared with the corresponding period of the last year, mainly due to the closure of certain medical examination centers as required by anti-pandemic policies in different areas during the Pandemic. During the Reporting Period, the numbers of corporate and individual customers were 439,860 and 150,757 (corresponding period in 2019: 733,368 and 172,007), representing a decrease of 40.0% and 12.4% as compared with the corresponding period of the last year, respectively. The average spending per capita of customers was RMB491.2 (corresponding period in 2019: RMB486.7), representing an increase of 0.9% as compared with the corresponding period of the last year.

Specialty Hospital Business

The three OGP hospitals under Rici's OGP segment are currently located in Changzhou, Shanghai and Wuxi, respectively, all of which are aimed at high-net-worth individuals and are specialized in OGP as well as medical-graded maternity care which are rare in the market, achieving a 24-hour medical linkage and providing attentive N-to-1 services to our customers. Our OGP segment established a strategic cooperation with Children's Hospital of Fudan University (復旦大學附屬兒科醫院), Obstetrics and Gynecology Hospital of Fudan University (復旦大學附屬婦產科醫院) and Children's Hospital of Shanghai (上海市交通大學附屬兒童醫院).

During the Pandemic, our three OGP hospitals strengthened their prevention and control measures, providing a more optimized and safer medical environment for high-net-worth individuals. During the Reporting Period, revenue from our OGP segment increased as compared with that in the corresponding period of the last year. Changzhou Rich Hospital, which is the first hospital officially opened among the three hospitals, is a designated hospital for medical insurance reimbursement and served 10,211 outpatients and 550 inpatients during the Reporting Period (corresponding period in 2019: 8,914 and 481), representing an increase of 14.6% and 14.3% as compared with the corresponding period of the last year, respectively. Rich Shuixian served 5,880 outpatients and 383 inpatients during the Reporting Period (corresponding period in 2019: 1,955 and 115), representing increases of 200.8% and 233.0% as compared with the corresponding period of the last year, respectively. In May 2020, the second phase of the ancillary maternity care center under Rich Shuixian officially opened. Wuxi Rich OGP Hospital, the newest among our three OGP hospitals, served 1,812 outpatients and 144 inpatients during the Reporting Period. On March 25, 2020, as a result of the adjustment of development strategies of the Group's specialty hospital business, Shanghai Rich Medical terminated the cooperation with Shanghai Jiangyang Industry Company (上海江楊實業有限公司) and Nanjing South New City Cultural Tourism Development Co., Ltd. (南京南部新城文化旅遊發展有限公司), respectively. Please refer to the Company's announcement dated March 25, 2020 for details.

Prospects

As Nantong Rich Hospital enters its 20th anniversary, it is improving in different aspects, including equipment, technology and expansion of inpatient capacity, laying the foundation for its next stage of development. In terms of the equipment, Nantong Rich Hospital has recently upgraded and optimized its equipment, and is now equipped with among others, linear accelerator, gamma knife and PET/CT, many of which are the latest or most advanced in Nantong, providing the basis for developing featured specialties in the future. In terms of technology and external cooperation, it further strengthens the technological cooperation with well-known hospitals in Shanghai and renowned professionals, heavily leveraging quality medical resources of Shanghai to provide services for patients in Nantong and nearby areas. The second phase expansion project of Nantong Rich Hospital is in orderly progress. When the second phase is completed, it is expected that the number of beds will increase significantly. Furthermore, Nantong Meidi and Nantong Rich Hemodialysis Center under the general hospital business are currently working on improving the efficiency and leveraging on the synergy with Nantong Rich Hospital.

Private medical examination industry has undergone fierce price competitions and mergers over these years, and is facing a new turning point. The unit price for medical examination users in China is still relatively lower compared with that of developed countries, and Chinese consumers have a significant demand for high-quality medical examination services. Furthermore, the integration of online services with the medical examination industry might give rise to more opportunities for the medical examination industry. Rici's medical examination business will focus on the Yangtze River Delta, while at the same time increasing its investment in the Great Bay Area market, strategically extending its presence in some key cities. In the future, Rici's medical examination business will place emphasis on precision medical examination centering on cardiovascular diseases and cancer inspection and provide health management as long-term services, so as to cultivate its core competitive strength.

In the Yangtze River Delta, represented by Shanghai, more and more people choose high-end private OGP services, as the consumption power of the mid- and high-net-worth individuals further increases. Our OGP segment aims to become the leading brand of private OGP hospital in the Yangtze River Delta. The Group plans to establish Rich Shuixian as the flagship hospital of our OGP segment, providing a talent nurturing platform and a technical support platform for our OGP segment. Currently, Changzhou Rich Hospital and Rich Shuixian under our OGP segment are vigorously attempting to increase their revenue through different means, while Wuxi Rich OGP Hospital is working on raising its local brand reputation.

FINANCIAL REVIEW

Revenue

We derive revenue mainly from our general hospital business and medical examination business. The following table sets forth the components of our revenue by operating segments for the periods indicated:

	Six months ended June 30,		
	2020 (RMB'000)	2019 (RMB'000)	% of Change
General hospital business	**258,860** (1)	249,896 (1)	3.6%
Medical examination business	**290,142** (2)	444,695 (2)	-34.8%
Specialty hospital business	**40,708**	19,575	108.0%
Inter-segment	**(6,450)**	(11,233)	-42.6%
Total	**583,260**	702,933	-17.0%

Notes:

(1) Included the revenue from hemodialysis business.

(2) Included the revenue from embedded clinic business in medical examination centers.

Our revenue decreased by 17.0% from RMB702.9 million for the six months ended June 30, 2019 to RMB583.3 million for the Reporting Period, mainly affected by the Pandemic, as our medical examination centers across China were unable to resume normal operation during the Pandemic.

Revenue from the general hospital business for the Reporting Period amounted to RMB252.4 million, representing an increase of 4.5% from RMB241.5 million for the corresponding period in 2019, excluding inter-segment revenue of RMB6.5 million and RMB8.4 million for the six months ended June 30, 2020 and 2019, respectively. The Pandemic led to a decrease of 1,808 in the number of served inpatient individuals, an increase in the revenue per inpatient by 24.9% and an increase of the revenue from inpatients by RMB14.5 million. Meanwhile, the number of outpatient visits decreased by 33,998, revenue per outpatient increased by 14.6%, and revenue from outpatients decreased by RMB3.5 million.

Revenue from the medical examination business for the Reporting Period amounted to RMB290.1 million, representing a decrease of 34.4% from RMB441.9 million for the corresponding period in 2019, excluding the inter-segment revenue of RMB2.8 million for the six months ended June 30, 2019, while there is no inter-segment revenue in the corresponding period of 2020. Affected by the Pandemic, our medical examination centers across China were unable to resume normal operation during the Pandemic.

Revenue from the specialty hospital business for the Reporting Period amounted to RMB40.7 million (corresponding period in 2019: RMB19.6 million). For the Reporting Period, the numbers of outpatients and inpatients served by our specialty hospital services were 17,903 and 1,077, respectively. Revenue generated from outpatients and inpatients visits were RMB11.2 million and RMB29.5 million, respectively.

Cost of Sales

Cost of sales primarily consists of pharmaceuticals and medical consumables costs, staff costs and depreciation and amortization expenses. The following table sets forth a breakdown of cost of sales by operating segments for the periods indicated:

	Six months ended June 30,		
	2020 (RMB'000)	2019 (RMB'000)	% of Change
General hospital business	**182,184** [1]	174,777 [1]	4.2%
Medical examination business	**280,185** [2]	323,010 [2]	-13.3%
Specialty hospital business	**85,374**	69,125	23.5%
Inter-segment	**(6,450)**	(14,668)	-56.0%
Total	**541,293**	552,244	-2.0%

Notes:

(1) Included the cost of sales of hemodialysis business.

(2) Included the cost of sales of embedded clinic business in medical examination centers.

Our cost of sales decreased by 2.0% from RMB552.2 million for the six months ended June 30, 2019 to RMB541.3 million for the Reporting Period.

Cost of sales of the general hospital business during the Reporting Period amounted to RMB182.2 million, representing an increase of 4.2% from RMB174.8 million during the corresponding period in 2019. The increase was mainly attributable to the increase in the pharmaceutical costs caused by the expansion of revenue scale in the first half of 2020.

Cost of sales of the medical examination business during the Reporting Period amounted to RMB280.2 million, representing a decrease of 13.3% from RMB323.0 million during the corresponding period in 2019. The decrease was mainly due to the impact of the Pandemic. Our medical examination centers throughout the country could not operate normally during the Pandemic, so the labor costs and medical consumable costs of the medical examination business decreased along with the decrease of revenue.

Cost of sales of the specialty hospitals business amounted to RMB85.4 million during the Reporting Period, representing an increase of 23.5% from RMB69.1 million during the corresponding period in 2019. This was mainly due to the facts that (i) specialty hospitals were in the early stage of operation, and with the growth of income scale, the remuneration costs of medical personnel, pharmaceutical costs and medical consumables costs increased; and (ii) the cost of sales of Wuxi Rich OGP Hospital was nil in the first half of 2019 since it was officially opened in the second half of the last year.

Gross Profit

Our gross profit decreased from RMB150.7 million for the six months ended June 30, 2019 to RMB42.0 million for the Reporting Period. Gross profit margin decreased by 14.2 percentage points from 21.4% for the six months ended June 30, 2019 to 7.2% for the Reporting Period. As the medical examination business was affected by the Pandemic, our revenue significantly decreased, while its fixed costs remained generally stable. The profit margin of the medical examination business decreased from 27.4% for the six months ended June 30, 2019 to 3.4% for the Reporting Period.

Distribution Costs and Selling Expenses

Our distribution costs and selling expenses amounted to RMB70.3 million during the Reporting Period, as compared to RMB86.7 million for the corresponding period in 2019. The decline was mainly due to the decrease of sales commissions and advertising expenses as affected by the Pandemic.

Administrative Expenses

Our administrative expenses amounted to RMB135.9 million during the Reporting Period, as compared to RMB140.8 million for the corresponding period in 2019.

Other Income

Our other income, which mainly comprised government subsidies, rental income and income from equipment sales, amounted to RMB9.4 million during the Reporting Period (corresponding period in 2019: RMB16.2 million).

Other Losses

Our other losses during the Reporting Period amounted to RMB2.6 million, as compared to other losses of RMB0.2 million for the corresponding period in 2019. Other losses mainly represented losses on disposal of equipment and other miscellaneous losses.

Finance Costs — net

Our net finance costs amounted to RMB71.4 million during the Reporting Period, as compared to the net finance costs of RMB70.1 million for the corresponding period in 2019. The interest expenses amounted to RMB82.2 million during the Reporting Period, representing an increase of RMB6.1 million from RMB76.1 million for the corresponding period in 2019.

Share of Results

For the Reporting Period, the Group recognised a share of profit of RMB0.2 million from investments accounted for using equity method (corresponding period in 2019: RMB0.4 million) in its consolidated results, mainly due to the operating profit of RMB0.4 million of Nantong Meidi, a subsidiary of a joint venture of the Group, whose business operation has been stable since its establishment in the second half of 2014; and offset by the operating loss of RMB0.2 million of Neijiang Rich Ruichuan Clinic Co., Ltd., an associate of the Group primarily engaged in providing medical examination services.

Income Tax Expense/Credit

For the Reporting Period, income tax expense amounted to RMB24.9 million (corresponding period in 2019: income tax credit of RMB13.2 million). The increase of income tax expense was mainly due to part of deferred income tax asset recognised in the previous year was reversed during the Reporting Period.

Loss for the Period

For the foregoing reasons, in the Reporting Period, we recorded a net loss of RMB250.2 million (corresponding period in 2019: a net loss of RMB117.1 million), mainly due to the fact that as a result of the Pandemic, the Company's medical examination centers across China were unable to resume normal operation during the Pandemic, and consequently the revenue was severely affected by the pressure of pandemic control measures.

Adjusted EBITDA

To supplement our interim condensed consolidated financial statements which are presented in accordance with HKAS 34, "Interim Financial Reporting", we use adjusted EBITDA as an additional financial measure. We define adjusted EBITDA as loss/profit for the period before certain expenses and depreciation and amortization as set out in the table below. Adjusted EBITDA is used by our management as the primary measure of our operating performance and to compare our operating performance with that of our peer companies. We also believe that our adjusted EBITDA may be useful to investors as measure of our ability to incur and service debt, make capital expenditures and meet working capital requirements. Adjusted EBITDA is not an alternative to (i) loss/profit before income tax or loss/profit for the period (as determined in accordance with HKFRSs) as a measure of our operating performance; (ii) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs; or (iii) any other measures of performance or liquidity. The following table reconciles our loss for the periods under HKFRSs to our definition of adjusted EBITDA for the periods indicated.

	Six months ended June 30,	
	2020	2019
	(RMB'000)	(RMB'000)
Adjusted EBITDA calculation		
Loss for the period	**(250,213)**	(117,121)
Adjusted for:		
Income tax expense/(credit)	**24,937**	(13,235)
Finance costs — net	**71,372**	70,076
Depreciation and amortization	**181,885**	166,915
Pre-opening expenses and EBITDA loss of soft-opening[1]	**9,407**	20,952
Share option expenses	**12,273**	12,754
Adjusted EBITDA	**49,661**	140,341
Adjusted EBITDA margin[2]	**8.5%**	20.0%

Notes:

(1) Primarily represents (a) the pre-opening expenses, such as staff costs and rental expenses, incurred in the applicable period in connection with the construction of medical examination centers; and (b) the EBITDA loss incurred during the period when the newly opened medical examination centers and specialty hospitals commenced their operations.

(2) The calculation of adjusted EBITDA margin is based on adjusted EBITDA divided by revenue and multiplied by 100%.

The adjusted EBITDA amounted to RMB49.7 million during the Reporting Period, representing a decrease of 64.6% from RMB140.3 million for the corresponding period in 2019, mainly due to the increase of losses caused by the Pandemic.

FINANCIAL POSITION

Property and Equipment

Property and equipment primarily consist of buildings, medical equipment, general equipment, leasehold improvements and construction in progress. As at June 30, 2020, the property and equipment of the Group amounted to RMB1,175.7 million, representing an increase of RMB15.2 million as compared to RMB1,160.5 million as at December 31, 2019. The increase of properties and equipment was primarily due to the second phase expansion project of Nantong Rich Hospital.

Trade Receivables

As at June 30, 2020, the trade receivables of the Group were RMB206.9 million, representing a decrease of RMB83.1 million as compared to RMB290.0 million as at December 31, 2019, mainly because (i) the revenue from the medical examination business of the Group decreased during the Reporting Period; and (ii) the collection of the funds reimbursed from medical insurance accelerated.

Net Current Liabilities

As at June 30, 2020, the Group's current liabilities exceeded its current assets by RMB838.3 million (as at December 31, 2019: the Group's current liabilities exceeded its current assets by RMB657.5 million). The increase of the Group's net current liabilities was mainly due to (i) a significant increase in advance collection from sales of medical examination cards at the end of the Reporting Period; (ii) the decrease in revenue from medical examination business of the Group, which led to a decrease in the balance of trade receivables; and (iii) the increase in borrowings during the Reporting Period.

Liquidity and Capital Resources

As at June 30, 2020, the Group had cash and cash equivalents of RMB416.7 million, with available unused bank facilities of RMB502.1 million. As at June 30, 2020, the Group had outstanding bank borrowings of RMB1,074.6 million, with non-current portion of long-term bank borrowings of RMB430.1 million included. Based on the Group's past experience and good credit standing, the Directors are confident that such bank facilities could be renewed or extended for at least another twelve months upon renewal. We adopt prudent treasury policies in cash and financial management to achieve better risk control, manage financial resources efficiently and minimise the cost of funds. For the currency in which cash and cash equivalents are denominated, please refer to note 15 to the interim condensed consolidated financial statements.

Significant Investments, Material Acquisitions and Disposals

For the Reporting Period, the Group did not have any significant investment, material acquisition or disposal.

Capital Expenditure and Commitments

For the Reporting Period, the Group incurred capital expenditures of RMB132.6 million (corresponding period in 2019: RMB310.0 million), primarily due to (i) the second phase expansion project of Nantong Rich Hospital; (ii) purchases of medical equipment as well as renovation for our medical examination centers, general hospital and specialty hospitals; and (iii) the lease of business premises for new medical examination centers.

As at June 30, 2020, the Group had a total capital commitment of RMB184.5 million (as at December 31, 2019: RMB229.0 million), mainly comprising the related contracts of the second phase expansion project of Nantong Rich Hospital and the Group's system upgrade.

Borrowings

As at June 30, 2020, the Group had total bank and other borrowings of RMB1,147.9 million (as at December 31, 2019: RMB922.8 million). Please refer to note 19 to the interim condensed consolidated financial statements for more details.

Contingent Liabilities

The Group had no material contingent liability as at June 30, 2020 (as at December 31, 2019: Nil).

Financial instruments

The Group did not have any financial instruments as at June 30, 2020 (as at December 31, 2019: Nil).

Gearing Ratio

As at June 30, 2020, on the basis of net debt divided by total capital, the Group's gearing ratio was 87.9% (as at December 31, 2019: 80.1%). The increase in gearing ratio was mainly due to the significant losses and the decrease of reserves caused by the Pandemic during the Reporting Period.

Cash Flow and Fair Value Interest Rate Risk

Our exposure to changes in interest rates is mainly attributable to our bank borrowings and lease liabilities.

Borrowings obtained at variable rates expose us to cash flow interest rate risk. Borrowings obtained at fixed rates expose us to fair value interest rate risk. As at June 30, 2020, borrowings of RMB595,107,000 were with floating interest rate. We did not hedge our cash flow and fair value interest rate risk during 2020.

Foreign Exchange Risk

For the Reporting Period, the Group was not exposed to significant foreign currency risk, except for the remaining bank deposits from the IPO, which were denominated in Hong Kong dollar, and the bank deposits denominated in United States dollar. The Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Credit Risk

We have no significant concentration of credit risk. The carrying amount of cash and cash equivalents, trade and other receivables and deposits from long-term leases represent our maximum exposure to credit risk in relation to our financial assets. The objective of our measures to manage credit risk is to control potential exposure to recoverability problem.

Cash and cash equivalents were deposited in major financial institutions, which the Directors believe are of high credit quality.

The Group has policies in place to ensure that receivables with credit terms are made to counterparties with an appropriate credit history and management performs ongoing credit evaluations of the counterparties. The credit period granted to the customers and the credit quality of these customers are assessed, which takes into account their financial position, past experience and available forward-looking information. The Group considers the probability of default upon initial recognition of a financial asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. For evaluating whether there has been a significant increase in credit risk, the Group considers available reasonable and supportive forward-looking information.

The credit risk of hospital business is related to the recoverability of trade receivables and other receivables. The credit risk of medical examination business is related to the length of the overdue period of trade receivables from corporate customers and other receivables.

Liquidity Risk

Our finance department monitors rolling forecasts of our liquidity requirements to ensure we have sufficient cash to meet operational needs while maintaining sufficient headroom on our undrawn borrowing facilities at all times so that we do not breach borrowing limits or covenants (where applicable) on any of our borrowing facilities. We expect to fund the future cash flow needs through cash flows generated from operations, borrowings from financial institutions and issuing debt instruments or capital injection from the Shareholders, as necessary. Based on contractual undiscounted payments, our financial liabilities were RMB4,127.4 million as at June 30, 2020 (as at December 31, 2019: RMB3,946.0 million).

Pledge of Assets

As at June 30, 2020, the Group had assets with a total carrying amount of RMB114,919,000 (as at December 31, 2019: assets of RMB123,160,000) and restricted deposits with an amount of USD35,050,000 (as at December 31, 2019: restricted deposits of USD48,500,000) pledged for the Group's borrowings.

Besides, the Group had 22.06% equity interest in Nantong Rich Hospital (as at December 31, 2019: 22.06%) secured to guarantee the exercise of the option right granted to Everbright (Haimen) Senior Healthcare Investment Fund (Limited Partnership) (海門光控健康養老產業投資合夥企業(有限合夥)). For details, please refer to the announcement of the Company dated September 3, 2018.

HUMAN RESOURCES

The Group had 7,039 employees as of June 30, 2020, as compared to 7,254 employees as of December 31, 2019. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination. Remuneration of the Group's employees includes basic salaries, allowances, bonus, share option scheme and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence. We provide regular training to our employees in order to improve their skills and knowledge. The training courses range from further educational studies to skill training to professional development courses for management personnel, including a management trainee program.

USE OF PROCEEDS FROM THE IPO

The net proceeds from the IPO amounted to RMB682.7 million after deducting share issuance costs and listing expenses. During the Reporting Period, the net proceeds from the Listing were not utilized, with the balance amounting to approximately RMB220.8 million. As disclosed in the announcement of the Company dated February 18, 2020, the remaining unutilized net proceeds from the IPO will be used in accordance with the Group's development strategies, market conditions and intended use of such proceeds, which has been changed by the Board from "establishment of our multi-function facility" to "establishment of new medical examination centers and upgrading and renovation of existing medical examination centers", and are expected to be fully utilized on or before December 31, 2022. Details are set out in the following table:

	Net amount available as at December 31, 2019 RMB'000	Actual amount utilized during the Reporting Period RMB'000	Unutilized amount as at June 30, 2020 RMB'000
Establishment of new medical examination centers and upgrading and renovation of existing medical examination centers	220,808	—	220,808

Supplementary Information

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Reporting Period.

SUBSEQUENT EVENT

On July 17, 2020, Shanghai Rich Medical entered into equity transfer agreements with the Vendor in respect of the transfer of 30% equity interest in each of the Target Companies from the Vendor to Shanghai Rich Medical, at a total consideration of RMB155.0 million. Upon completion of such transactions, the Vendor will cease to hold any equity interest in the Target Companies, and the Company will indirectly hold 81% equity interest through its subsidiaries in each of the Target Companies. Please refer to the Company's announcements dated July 17, 2020 and September 3, 2020, respectively, for details of such transactions.

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions as set out in the CG Code as contained in the Listing Rules, as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the Reporting Period, save for deviation from code provision A.2.1 of the CG Code.

Pursuant to code provision A.2.1 of the CG Code, the responsibility between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and the chief executive officer and Dr. Fang performs these two roles. The Board considers that vesting the roles of the chairman and the chief executive officer in Dr. Fang is beneficial to the Group for implementing its new business strategies given his abundant experience in the healthcare industry and longtime and substantive involvement in the day to day management and operation of the Group. In addition, the balance of power and authority is ensured by the operation of the Board and the senior management, which comprises experienced and capable individuals independent from Dr. Fang (except his spouse, Dr. Mei, and his son, Mr. Fang Haoze). The Board comprised four executive Directors, one non-executive Director and three independent non-executive Directors as at the date of this report and has a fairly strong independence element in its composition.

The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF INTERIM FINANCIAL STATEMENTS

Audit Committee

The Audit Committee, comprising Ms. Wong Sze Wing, Ms. Jiao Yan and Dr. Wang Yong, has discussed with the management and the external auditor and reviewed the unaudited interim condensed consolidated financial statements of the Group for the Reporting Period.

Auditor

In addition, the Company's external auditor, PricewaterhouseCoopers, has performed an independent review of the Group's interim condensed consolidated financial statements for the Reporting Period in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity".

CHANGES OF MEMBERS OF THE BOARD AND UPDATE ON THE DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B (1) OF THE LISTING RULES

Change of members of the Board during the Reporting Period and up to the date of this interim report is set out below:

With effect from June 19, 2020, Mr. Yao Qiyong retired as a non-executive Director upon the conclusion of the annual general meeting of the Company dated June 19, 2020.

Details of the abovementioned change of the members of the Board during the Reporting Period are set out in the Company's circular dated April 27, 2020 and the Company's announcement dated June 19, 2020. Save as disclosed in this interim report, there is no change in information on the Directors since the date of the annual report 2019 of the Company which is required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules.

CONTINUING DISCLOSURE OBLIGATION PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

INTERESTS OF THE DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at June 30, 2020, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(A) Long/short position in ordinary shares of the Company

Name of Director	Long/ Short Position	Capacity/ Nature of Interest	Number of ordinary shares interested(1)	Approximate Percentage+ of the Company's issued share capital
Dr. Mei(3)	Long position	Interest in controlled corporation	872,550,000 (L)	54.87%
	Short position	Interest in controlled corporation	294,492,000 (S)(5)	18.52%
Dr. Fang(4)	Long position	Interest of spouse	872,550,000 (L)	54.87%
	Short position	Interest of spouse	294,492,000 (S)(5)	18.52%

(B) Long position in underlying shares of the Company — physically settled unlisted equity derivatives

Name of Director	Capacity/Nature of Interest	Number of underlying shares in respect of the share options granted(1)(2)	Approximate percentage+ of the Company's issued share capital
Dr. Mei(3)	Beneficial owner; Interest of spouse	31,807,000 (L)	2.00%
Dr. Fang(4)	Beneficial owner; Interest of spouse	31,807,000 (L)	2.00%

Notes:

(1) The letter "L" denotes the person's long position in the Shares and the letter "S" denotes the person's short position in the Shares.

(2) Details of the above share options granted by the Company are set out in the section headed "Pre-IPO Share Option Scheme and Share Option Scheme" in this interim report.

(3) Chelsea Grace was beneficially interested in the 872,550,000 Shares as at June 30, 2020. Under the SFO, Dr. Mei is deemed to be interested in all the Shares held by Chelsea Grace by reason of her 100% interest in its issued share capital and is also deemed to be interested in all the interests held by Dr. Fang as she is the wife of Dr. Fang. Dr. Mei is granted an option to subscribe for 15,903,500 Shares under the Pre-IPO Share Option Scheme.

(4) Dr. Fang is the husband of Dr. Mei. Therefore, Dr. Fang is deemed to be interested in Dr. Mei's interests in our Company. Dr. Fang is granted an option to subscribe for 15,903,500 Shares under the Pre-IPO Share Option Scheme.

(5) Such numbers of Shares are subject to certain security arrangements.

\+ The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at June 30, 2020.

(C) Interest in associated corporation

Name of Director	Associated corporation	Capacity/Nature of interest	Number of shares[(1)]	Percentage of shareholding interest
Dr. Mei[(1)]	Chelsea Grace[(2)]	Beneficial owner	1	100%
Dr. Fang[(1)]	Chelsea Grace[(2)]	Interest of spouse	1	100%

Notes:

(1) Dr. Fang is the husband of Dr. Mei. Therefore, under the SFO, Dr. Fang is deemed to be interested in Dr. Mei's interests in Chelsea Grace.

(2) Under the SFO, a holding company of the listed corporation is regarded as an "associated corporation". As at June 30, 2020, Chelsea Grace held 54.87% of our issued share capital and thus was our associated corporation.

Save as disclosed in this interim report and to the best knowledge of the Directors, as at June 30, 2020, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as is known to any Director or chief executive of the Company, as at June 30, 2020, the following corporations/persons (other than the Directors or the chief executive of the Company) had interests of 5% or more in the issued shares of the Company according to the register of interests required to be kept by the Company under section 336 of the SFO:

Name	Capacity/Nature of interest	Number of ordinary Shares interested[(1)]	Approximate percentage+ of the Company's issued share capital
Chelsea Grace[(2)]	Beneficial owner	872,550,000 (L)	54.87%
	Beneficial owner	294,492,000 (S)	18.52%
Renaissance Healthcare Holdings Limited ("**Baring Investor**")	Beneficial owner	268,286,800 (L)	16.87%
The Baring Asia Private Equity Fund V, L.P.[(3)]	Interest of a controlled corporation	268,286,800 (L)	16.87%
Baring Private Equity Asia GP V, L.P.[(3)]	Interest of a controlled corporation	268,286,800 (L)	16.87%
Baring Private Equity Asia GP V Limited[(3)]	Interest of a controlled corporation	268,286,800 (L)	16.87%
Jean Eric Salata[(3)]	Interest of a controlled corporation	268,286,800 (L)	16.87%
Haitong International Investment Solutions Limited[(2)]	Person having a security interest in shares	294,492,000 (L)	18.52%
Haitong International Securities Group Limited[(2)(4)]	Interest of controlled corporation	304,771,000 (L)	19.16%
		10,279,000 (S)	0.65%
Haitong International Holdings Limited[(2)(4)]	Interest of controlled corporation	304,771,000 (L)	19.16%
		10,279,000 (S)	0.65%
Haitong Securities Co., Ltd.[(2)(4)]	Interest of controlled corporation	304,771,000 (L)	19.16%
		10,279,000 (S)	0.65%

Notes:

(1) The letter "L" denotes the person's long position in the Shares and the letter "S" denotes the person's short position in the Shares.

(2) On January 23, 2019, September 19, 2019 and February 10, 2020, Chelsea Grace provided an interest in 164,000,000 shares, 88,200,000 shares and 42,292,000 Shares as security, respectively. Such security interest is directly held by Haitong International Investment Solutions Limited, a wholly-owned subsidiary of Haitong International Financial Solutions Limited, which is wholly owned by Haitong International (BVI) Limited, a wholly-owned subsidiary of Haitong International Securities Group Limited. Haitong International Securities Group Limited is held as to 64.40% by Haitong International Holdings Limited, a wholly-owned subsidiary of Haitong Securities Co., Ltd. Each of Haitong International Securities Group Limited, Haitong International Holdings Limited and Haitong Securities Co., Ltd. is deemed to be indirectly interested in such interest under the SFO.

(3) Baring Investor is held as to 99.35% by The Baring Asia Private Equity Fund V, L.P. Baring Private Equity Asia GP V, L.P. is the general partner of The Baring Asia Private Equity Fund V, L.P. Jean Eric Salata is the sole shareholder of Baring Private Equity Asia GP V Limited (the general partner of Baring Private Equity Asia GP V, L.P.). Jean Eric Salata disclaims beneficial ownership of such Shares, except to the extent of his economic interest in such entities. Each of The Baring Asia Private Equity Fund V, L.P., Baring Private Equity Asia GP V, L.P., Baring Private Equity Asia GP V Limited and Jean Eric Salata is therefore deemed to be interested in the Shares held by Baring Investor under the SFO.

(4) Haitong International Financial Solutions Limited was directly interested in 304,771,000 Shares and 10,279,000 Shares in long position and short position, respectively. Each of Haitong International Securities Group Limited, Haitong International Holdings Limited and Haitong Securities Co., Ltd is deemed to be interested in such Shares indirectly under the SFO due to their relations as presented in note (2) above.

\+ The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at June 30, 2020.

Save as disclosed above and to the best knowledge of the Directors, as at June 30, 2020, no person (other than the Directors or chief executives of the Company) had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

PRE-IPO SHARE OPTION SCHEME AND SHARE OPTION SCHEME

Pre-IPO Share Option Scheme

The Company conditionally approved and adopted the Pre-IPO Share Option Scheme pursuant to the resolutions of the Shareholders passed on September 19, 2016.

The purpose of the Pre-IPO Share Option Scheme is to attract, retain and motivate employees and Directors, and to provide a means of compensating them through the grant of options for their contribution to the growth and profits of the Group, and to allow such employees and Directors to participate in the growth and profitability of the Group.

On September 19, 2016, options (exercisable for 10 years subject to vesting schedule as set out in the grant letter) to subscribe for an aggregate of 47,710,500 Shares were conditionally granted by the Company under the Pre-IPO Share Option Scheme to a total of three grantees, including two executive Directors. Such options were granted based on the performance of the grantees that have made important contributions or are important to the long term growth and profitability of the Group. The exercise price is HK$1.60 per Share as determined by the Board taking into account of the grantees' contribution to the development and growth of the Group. Apart from the above share options, no options were granted under the Pre-IPO Share Option Scheme. In addition, no further options can be granted under the Pre-IPO Share Option Scheme on or after the Listing Date. The total number of Shares currently available for issue under the Pre-IPO Share Option Scheme is 47,710,500 Shares, representing approximately 3.0% of the issued share capital of the Company as at the date of this interim report.

Subject to the Pre-IPO Share Option Scheme, each option shall be vested in the following manner:

Tranche	Vesting Date
five percent (5%) of the Shares subject to an option so granted	third (3rd) anniversary of the offer date for an option
ten percent (10%) of the Shares subject to an option so granted	fourth (4th) anniversary of the offer date for an option
fifteen percent (15%) of the Shares subject to an option so granted	fifth (5th) anniversary of the offer date for an option
seventy percent (70%) of the Shares subject to an option so granted	sixth (6th) anniversary of the offer date for an option

No options were exercised, cancelled or lapsed by the Company under the Pre-IPO Share Options Scheme during the Reporting Period.

Details of movement of the share options granted under the Pre-IPO Share Option Scheme for the Reporting Period are set out below:

	Number of Options					
Name of option holder	Outstanding as at January 1, 2020	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at June 30, 2020	Exercise Price
Directors of the Company						
Dr. Fang	15,903,500	–	–	–	15,903,500	HK$1.60
Dr. Mei	15,903,500	–	–	–	15,903,500	HK$1.60
Senior management and Other Employees of the Group						
Cao Ying	15,903,500	–	–	–	15,903,500	HK$1.60
Total	47,710,500	–	–	–	47,710,500	

The Directors, who have been granted options under the Pre-IPO Share Option Scheme, have undertaken to the Company that they will not exercise the options granted to them under the Pre-IPO Share Option Scheme if as a result of which the Company would not be able to comply with the public float requirements of the Listing Rules.

A summary of the terms (including the terms of the scheme, the calculation method of the exercise price and vesting periods and conditions) of the Pre-IPO Share Option Scheme has been set out in the section headed "E. Pre-IPO Share Option Scheme" in Appendix IV to the Prospectus.

The Pre-IPO Share Option Scheme does not fall within the ambit of, and is not subject to, the regulations under Chapter 17 of the Listing Rules. Details of the impact of options granted under the Pre-IPO Share Option Scheme on the consolidated financial statements since the date of grant of such options and the subsequent financial periods are set out under Note 18 to the interim condensed consolidated financial statements in this interim report.

Share Option Scheme

On September 19, 2016, the Company adopted the Share Option Scheme, which falls within the ambit of, and is subject to, the regulations under Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to attract, retain and motivate employees, Directors and other participants, and to provide a means of compensating them through the grant of options for their contribution to the growth and profits of the Group, and to allow such employees, Directors and other persons to participate in the growth and profitability of the Group.

The Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of our Company (and to which the provisions of the Listing Rules are applicable) shall not exceed 79,517,500 Shares (i.e. 5% of the aggregate of the Shares in issue on the Listing Date ("Scheme Mandate Limit") and as at the date of this interim report). Options lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating this Scheme Mandate Limit.

The total number of Shares issued and to be issued upon the exercise of the options granted to or to be granted to each eligible person under the Share Option Scheme (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue.

The Share Option Scheme will remain in force for a period of 10 years from September 19, 2016 and the options granted have a 10-year exercise period. Options may be vested over such period(s) as determined by the Board in its absolute discretion subject to compliance with the requirements under any applicable laws, regulations or rules.

The exercise price of the option shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option (and shall be stated in the letter containing the offer of the grant of the option), but in any case the subscription price shall not be less than the higher of (a) the closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a business day, (b) the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five (5) business days immediately preceding the date of grant, and (c) the nominal value of a Share.

On November 24, 2017, the Company granted share options to the Directors and certain employees of the Company and its subsidiaries to subscribe for a total of 79,517,500 ordinary shares in the share capital of the Company, at the price of HK$2.42 per Share. The closing price of the Shares before the date of grant of such options was HK$2.35 per Share. Among the Options granted as described above, options in respect of a total of 11,657,500 Shares were granted to a Director and an associate (as defined under the Listing Rules) of another Director and acceptance letters have been signed. The list of the options granted to the Director and the associate of another Director is set out as follows:

Name of Director/ Director's Associate	Position	Number of options granted
Mr. Lu Zhenyu	Former executive Director and the Chief Executive Officer of the Company, special assistant to the chairman of the Company	10,957,500
Mr. Mei Ye[1]	Deputy General Manager of Medical Examination Business Department	700,000
Total		11,657,500

Note:

(1) Mr. Mei Ye is an associate of Dr. Mei.

Details of the options granted under the Share Option Scheme and those remained outstanding as at June 30, 2020 are as follows:

Name of option holder	Date of Grant	Number of Options Outstanding as at January 1, 2020	Exercised during the Report Period	Cancelled during the Report Period	Lapsed during the Report Period	Outstanding as at June 30, 2020	Exercise Price
Former Director							
Mr. Lu Zhenyu	November 24, 2017	10,957,500	–	–	–	10,957,500	HK$2.42
Associate of Director							
Mr. Mei Ye[1]	November 24, 2017	700,000	–	–	–	700,000	HK$2.42
Other Employees	November 24, 2017	63,660,000	–	–	–	63,660,000	HK$2.42
Total		75,317,500	–	–	–	75,317,500	

Note:

(1) Mr. Mei Ye is an associate of Dr. Mei.

20% of the options granted will be exercisable from the date falling on the 3rd anniversary of the date of grant of such options; 20% of the options granted will be exercisable from the date falling on the 4th anniversary of the date of grant of such options; 20% of the options granted will be exercisable from the date falling on the 5th anniversary of the date of grant of such options; and the remaining 40% of the options granted will be exercisable from the date falling on the 6th anniversary of the date of grant of such options.

Details of the impact of the options granted under the Share Option Scheme on the consolidated financial statements since the date of grant of such options and the subsequent financial periods are set out under Note 18 to the interim condensed consolidated financial statements in this interim report.

A summary of the terms of the Share Option Scheme has been set out in the section headed “F. Share Option Scheme” in Appendix IV to the Prospectus.

Report on Review of Interim Financial Information

TO THE BOARD OF DIRECTORS OF RICI HEALTHCARE HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 29 to 70, which comprises the interim condensed consolidated balance sheet of Rici Healthcare Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") as at 30 June 2020 and the interim condensed consolidated statement of profit or loss, the interim condensed consolidated statement of comprehensive income, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28 August 2020

Interim Condensed Consolidated Balance Sheet

As at 30 June 2020

	Note	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
ASSETS			
Non-current assets			
Property and equipment	7	**1,175,660**	1,160,468
Right-of-use assets	8	**1,462,836**	1,554,771
Intangible assets	9	**11,976**	14,019
Investments accounted for using equity method	10	**7,320**	7,125
Financial assets at fair value through profit or loss		**4,500**	4,500
Deposits for long-term leases	11	**39,082**	41,926
Deferred income tax assets	12	**169,164**	179,764
Prepayments	16	**198,236**	55,266
		3,068,774	3,017,839
Current assets			
Inventories		**42,445**	44,383
Trade receivables	13	**206,855**	290,027
Other receivables	14	**38,960**	33,181
Prepayments	16	**18,542**	16,270
Amounts due from related parties	33	**1,727**	980
Cash and cash equivalents	15	**416,677**	329,551
Restricted cash	15	**248,136**	338,346
		973,342	1,052,738
Total assets		**4,042,116**	4,070,577
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	**1,065**	1,065
Reserves	18	**491,346**	643,170
		492,411	644,235
Non-controlling interests		**(167,415)**	(81,299)
Total equity		**324,996**	562,936

Interim Condensed Consolidated Balance Sheet

As at 30 June 2020

	Note	Unaudited 30 June 2020 RMB'000	Audited 31 December 2019 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	19	**453,790**	259,276
Lease liabilities	22	**1,316,676**	1,409,877
Other financial liabilities	20	**122,666**	115,927
Other long-term liabilities		**12,303**	12,303
		1,905,435	1,797,383
Current liabilities			
Borrowings	19	**694,152**	663,486
Lease liabilities	22	**305,267**	267,211
Contract liabilities	23	**281,069**	229,157
Trade and other payables	24	**509,430**	515,540
Amounts due to related parties	33	**1,650**	1,500
Income tax payables		**6,694**	19,941
Deferred income	21	**13,423**	13,423
		1,811,685	1,710,258
Total liabilities		**3,717,120**	3,507,641
Total equity and liabilities		**4,042,116**	4,070,577

The notes on pages 35 to 70 are an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020

	Note	Unaudited Six months ended 30 June 2020 RMB'000	Unaudited 2019 RMB'000
Revenue	25	**583,260**	702,933
Cost of sales	27	**(541,293)**	(552,244)
Gross profit		**41,967**	150,689
Distribution costs and selling expenses	27	**(70,256)**	(86,712)
Administrative expenses	27	**(135,892)**	(140,781)
Net impairment reversals on financial assets	27	**3,237**	126
Other income	26	**9,400**	16,182
Other losses		**(2,555)**	(175)
Operating loss		**(154,099)**	(60,671)
Finance costs	28	**(82,183)**	(76,093)
Finance income	28	**10,811**	6,017
Finance costs — net		**(71,372)**	(70,076)
Share of results of investments accounted for using equity method	10	**195**	391
Loss before income tax		**(225,276)**	(130,356)
Income tax (expense)/credit	29	**(24,937)**	13,235
Loss for the period		**(250,213)**	(117,121)
Attributable to:			
Owners of the Company		**(164,097)**	(60,241)
Non-controlling interests		**(86,116)**	(56,880)
		(250,213)	(117,121)
Loss per share for loss attributable to owners of the Company			
— Basic and diluted	30	**RMB (0.10)**	RMB (0.04)

The notes on pages 35 to 70 are an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	Unaudited	Unaudited
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Loss for the period	**(250,213)**	(117,121)
Other comprehensive income or losses	**—**	—
Total comprehensive loss for the period	**(250,213)**	(117,121)
Total comprehensive loss for the period attributable to:		
Owners of the Company	**(164,097)**	(60,241)
Non-controlling interests	**(86,116)**	(56,880)
	(250,213)	(117,121)

The notes on pages 35 to 70 are an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to Owners of the Company				
	Share capital RMB'000	Reserves RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
(Unaudited)					
Balance at 1 January 2020	**1,065**	**643,170**	**644,235**	**(81,299)**	**562,936**
Comprehensive loss					
Loss for the period	**—**	**(164,097)**	**(164,097)**	**(86,116)**	**(250,213)**
Total comprehensive loss	**—**	**(164,097)**	**(164,097)**	**(86,116)**	**(250,213)**
Share option scheme	**—**	**12,273**	**12,273**	**—**	**12,273**
Balance at 30 June 2020	**1,065**	**491,346**	**492,411**	**(167,415)**	**324,996**
(Unaudited)					
Balance at 1 January 2019	1,066	693,435	694,501	12,561	707,062
Comprehensive loss					
Loss for the period	—	(60,241)	(60,241)	(56,880)	(117,121)
Total comprehensive loss	—	(60,241)	(60,241)	(56,880)	(117,121)
Share option scheme	—	12,754	12,754	—	12,754
Buy-back of ordinary shares	—	(429)	(429)	—	(429)
Disposal of a subsidiary	—	—	—	(546)	(546)
Capital contributions by non-controlling interests of subsidiaries	—	—	—	3,000	3,000
Changes in ownership interests in subsidiaries without change of control	—	(3,419)	(3,419)	3,419	—
Total transaction with owners in their capacity as owners	—	8,906	8,906	5,873	14,779
Balance at 30 June 2019	1,066	642,100	643,166	(38,446)	604,720

The notes on pages 35 to 70 are an integral part of these interim condensed consolidated financial statements.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Notes	Unaudited Six months ended 30 June 2020 RMB'000	Unaudited 2019 RMB'000
Cash flow from operating activities			
Cash generated from operations		**177,784**	39,315
Interest paid		**(74,886)**	(67,482)
Income tax paid		**(27,584)**	(20,983)
Net cash generated/(used in) operating activities		**75,314**	(49,150)
Cash flow from investing activities			
Purchases of property and equipment		**(281,849)**	(126,491)
Purchases of intangible assets		**(43)**	(1,158)
Proceeds from disposal of property and equipment		**1**	—
Repayment of temporary funding provided to non-controlling interests of a subsidiary		**—**	1,310
Interest received		**5,044**	5,810
Acquisition of ownership interests in subsidiaries without change of control		**—**	(3,103)
Investment in financial assets at fair value through profit or loss		**—**	(1,399)
Disposal of a subsidiary		**—**	(102)
Net cash used in investing activities		**(276,847)**	(125,133)
Cash flows from financing activities			
Loans from non-controlling interests of subsidiaries		**17,150**	27,400
Capital contribution from non-controlling interests of subsidiaries		**—**	3,000
Buy-back of ordinary shares		**—**	(429)
Proceeds from bank borrowings	19	**574,550**	435,050
Repayments of bank borrowings	19	**(373,500)**	(386,750)
Proceeds from other borrowings	19	**40,270**	16,190
Repayments of other borrowings	19	**(16,140)**	—
Principal elements of lease payments		**(49,935)**	(69,009)
Restricted bank deposits	15(b)	**90,210**	(50,015)
Net cash generated/(used in) from financing activities		**282,605**	(24,563)
Net increase/(decrease) in cash and cash equivalents		**81,072**	(198,846)
Cash and cash equivalents at beginning of the period		**329,551**	495,407
Exchange gain on cash and cash equivalents		**6,054**	367
Cash and cash equivalents at end of the period		**416,677**	296,928

The notes on pages 35 to 70 are an integral part of these interim condensed consolidated financial statements.

Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

1 General information

Rici Healthcare Holdings Limited (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands on 11 July 2014. The address of the Company's registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company, an investment holding company and its subsidiaries (collectively, the "**Group**") are principally engaged in the provision of general hospital services, specialty hospital services and medical examination services in the People's Republic of China ("**PRC**").

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 6 October 2016.

The interim condensed consolidated financial statements are presented in thousands of Renminbi ("**RMB'000**"), unless otherwise stated, and were approved and authorised for issue by the board of directors (the "**Board**") of the Company on 28 August 2020.

2 Basis of preparation

This interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with HKAS 34 "Interim Financial Reporting", and do not include all the notes of the type normally included in an annual financial statements. The interim condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") and together with any public announcements made by the Company.

(a) Going concern

As at 30 June 2020, the Group's current liabilities exceeded its current assets by RMB838,343,000. The directors considered that the contract liabilities and the deferred income included in current liabilities of the Group as at 30 June 2020 amounting to RMB294,492,000 will not expect to have cash outflow from the Group. The Group meets its day-to-day working capital requirements depending on cash flows generated from operating activities, bank borrowings and uncommitted credit facilities provided by banks in the PRC. Based on the Group's past experience and good credit standing, the directors are confident on future operating cash flows and that these bank financing could be renewed and/or extended for at least another twelve months upon maturity, if necessary. The directors therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the interim condensed consolidated financial statements.

3 Accounting policies

The accounting policies applied in the preparation of the interim condensed consolidated financial statements are consistent with those of the annual financial statements of the Group for the year ended 31 December 2019, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new standard and amendments of HKFRSs effective for the financial year ending 31 December 2020, as set out below.

(a) New standard and amendments of HKFRSs adopted by the Group in 2020

A number of standard and amendments of HKFRSs became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting these new standard and amendments:

- Amendments to HKAS 1 and HKAS 8 — Regarding definition of material
- Amendments to HKFRS 3 — Regarding definition of a business
- Revised conceptual framework for financial reporting
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7 — Regarding interest rate benchmark reform
- Amendments to HKFRS 16 — Regarding COVID-19-related rent concessions

The Group has early adopted Amendment to HKFRS 16 — Regarding COVID-19-related rent concessions retrospectively from 1 January 2020. The amendment provides an optional practical expedient allowing lessees to elect not to assess whether a rent concession related to COVID-19 is a lease modification. Lessees adopting this election may account for qualifying rent concessions in the same way as they would if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; b) any reduction in lease payments affects only payments due on or before 30 June 2021; and c) there is no substantive change to other terms and conditions of the lease.

The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions except for Beijing Rich Ruitai Clinic Co., Ltd. ("**Beijing Ruitai**"). Rent concessions totalling RMB12,304,000 have been accounted for as negative variable lease payments and recognised in administrative expenses and cost of sales in the statement of profit or loss for the six months ended 30 June 2020, with a corresponding adjustment to the lease liabilities. Beijing Ruitai did not meet the conditions of practical expedient, and the revaluation totalling RMB3,268,000 was recognised in administrative expenses and cost of sales in the statement of profit or loss for the six months ended 30 June 2020, with a corresponding adjustment to the lease liabilities and right-of-use assets. There is no impact on the opening balance of equity at 1 January 2020.

3 Accounting policies (continued)

(a) New standard and amendments of HKFRSs adopted by the Group in 2020 (continued)

A number of new or amended standards became applicable for the current reporting period. Except for the Amendment to HKFRS 16 set out above, the Group did not change its accounting policies or make retrospective adjustments as a result of adopting these standards.

(b) Impact of new standard and amendments of HKFRSs issued but not yet applied by the Group

Certain new accounting standard and amendments of HKFRSs have been published but are not mandatory for the financial year beginning 1 January 2020 and have not been early adopted by the Group. Those which are more relevant to the Group's current operations are as below:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Regarding classification of liabilities as current or non-current	1 January 2022
Amendments to HKAS 16	Regarding property, plant and equipment: proceeds before intended use	1 January 2022
Amendments to HKAS 37	Regarding onerous contracts — cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRS Standards 2018–2020		1 January 2022
Amendments to HKFRS 3	Regarding reference to the conceptual framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Regarding sale or contribution of assets between an investor and its associate or joint venture	To be determined

These new standard and amendments described above are either currently not relevant to the Group or not expected to have material impact on the Group's interim condensed consolidated financial statements when they become effective.

4 Estimates

The preparation of interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the Group for the year ended 31 December 2019.

5 Financial risk management and financial instruments

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

There have been no changes in the risk management policies since year end.

5.2 Foreign exchange risk

The Group is engaged in the provision of general hospital services, specialty hospital services and medical examination services in the PRC with almost all transactions denominated in RMB. In addition, the majority of the Group's assets and liabilities are denominated in RMB. Accordingly, the Group is not exposed to significant foreign currency risk, except for the bank deposits from the Company's initial public offering, which are denominated in Hong Kong Dollar ("**HKD**"), and the bank deposits denominated in United States Dollar ("**USD**").

The Group currently does not have a foreign currency hedging policy. However, management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

At 30 June 2020, if RMB had weakened/strengthened by 5% against the HKD with all other variables held constant, post-tax profit for the period would have been RMB226,000 (31 December 2019: RMB202,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of cash in bank.

At 30 June 2020, if RMB had weakened/strengthened by 5% against USD with all other variables held constant, post-tax profit for the period would have been RMB20,365,000 (31 December 2019: RMB19,953,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of cash in bank.

5 Financial risk management and financial instruments (continued)

5.3 Credit risk

The Group's credit risk arises from cash and cash equivalents, trade receivables and other receivables, amounts due from related parties and deposits for long-term leases. The credit risk of hospital segment is from the recoverability of trade receivables and other receivables. The credit risk of medical examination segment is from the length of the overdue period of trade receivables and other receivables by corporate customers. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

Cash and cash equivalents were deposited in the major financial institutions, which the directors believe are of high credit quality.

The Group established policies in place to ensure that the Group assesses the credit worthiness and financial strength of its customers as well as considering prior dealing history with the customers and volume of sales. Management makes periodic assessment on the recoverability of trade receivables and other receivables based on historical payment records, the length of the overdue period, the financial strength of the debtors and whether there are any trade disputes with the debtors.

5.4 Liquidity risk

Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Group expected to fund the future cash flow needs through internally generated cash flows from operations, borrowings from financial institutions and issuing debt instruments and capital injection from shareholders, as necessary.

5 Financial risk management and financial instruments (continued)

5.4 Liquidity risk (continued)

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
As at 30 June 2020					
Borrowings, including interest	**736,902**	**103,021**	**310,339**	**140,032**	**1,290,294**
Lease liabilities	**279,510**	**268,972**	**689,142**	**905,933**	**2,143,557**
Amounts due to related parties	**1,650**	**—**	**—**	**—**	**1,650**
Other financial liabilities	**—**	**—**	**182,470**	**—**	**182,470**
Trade and other payables	**509,429**	**—**	**—**	**—**	**509,429**
	1,527,491	**371,993**	**1,181,951**	**1,045,965**	**4,127,400**
As at 31 December 2019					
Borrowings, including interest	680,354	40,587	179,990	60,959	961,890
Lease liabilities	283,607	285,077	723,820	992,092	2,284,596
Amounts due to related parties	1,500	—	—	—	1,500
Other financial liabilities	—	—	182,470	—	182,470
Trade and other payables	515,540	—	—	—	515,540
	1,481,001	325,664	1,086,280	1,053,051	3,945,996

The interest on borrowings is calculated based on borrowings held as at 30 June 2020 and 31 December 2019, respectively. Floating-rate interests are estimated using the current interest rate as at 30 June 2020 and 31 December 2019, respectively.

5.5 Fair value estimation

Fair value of trade receivables, other receivables, trade and other payables, borrowings, lease liabilities and other financial liabilities approximates their carrying amount.

6 Segment information

Management has determined the operating segments based on the information reviewed by the chief operating decision-maker ("**CODM**") for the purpose of corporate planning, allocating resources and assessing performance.

Management considers the business from a business perspective, and assesses the performance of the business segment based on segment profit without allocation of administrative expenses, interest income, interest expenses, other finance costs and income tax expense.

The amounts provided to management with respect to total assets and total liabilities are measured consistent with that of the financial statements. These assets are allocated based on the operations of segments. Certain assets and liabilities related to some subsidiaries with corporate function are not allocated into segments. Elimination of revenue are mainly inter-segment service charges related to general hospital business.

The Group manages its business by three operating segments based on their services, which is consistent with the way in which information is reported internally to the Group's CODM for the purpose of resources allocation and performance assessment:

(a) General hospital

The business of this segment is in Nantong, a city of Jiangsu Province. Revenue from this segment is derived from general hospital services provided by Nantong Rich Hospital Co., Ltd. ("**Nantong Rich Hospital**") and hemodialysis services provided by Nantong Rich Hemodialysis Center Co., Ltd. ("**Nantong Rich Hemodialysis Center**").

(b) Medical examination centers

The business of this segment is in Shanghai, Jiangsu Province and other provinces in the PRC. Revenue from this segment is derived from medical examination services and clinic services.

(c) Specialty hospitals

The business of this segment is in Shanghai and Jiangsu Province. Revenue from this segment is derived from specialty hospital services and maternal and child nursing services.

The following table presents revenue and profit information regarding the Group's operation segments for the six months ended 30 June 2020 and 2019, and the segment assets and liabilities as at 30 June 2020 and 31 December 2019.

6 Segment information (continued)

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in the same way as in the statement of profit or loss.

	General Hospital RMB'000	Medical Examination Centers RMB'000	Specialty Hospitals RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
For the six months ended 30 June 2020 (unaudited)						
Revenue	258,860	290,142	40,708	–	(6,450)	583,260
Segment profit/(loss)	73,787	(49,081)	(52,995)	–	–	(28,289)
Administrative expenses						(135,892)
Net impairment reversals on financial assets						3,237
Interest income						4,757
Interest expenses						(82,183)
Net exchange gains						6,054
Total loss before income tax						(225,276)
Income tax expense						(24,937)
Loss for the period						(250,213)
Other information						
Additions to property and equipment, right-of-use assets and intangible assets	74,386	51,880	6,316	–	–	132,582
Depreciation and amortization	11,180	136,033	34,672	–	–	181,885

	General Hospital RMB'000	Medical Examination Centers RMB'000	Specialty Hospitals RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
As at 30 June 2020(unaudited)						
Segment assets	1,514,444	3,306,730	779,965	858,852	(2,417,875)	4,042,116
Segment liabilities	982,941	3,188,303	878,055	249,241	(1,581,420)	3,717,120

6 Segment information (continued)

	General Hospital RMB'000	Medical Examination Centers RMB'000	Specialty Hospitals RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
For the six months ended 30 June 2019 (unaudited)						
Revenue	249,896	444,695	19,575	—	(11,233)	702,933
Segment profit/(loss)	72,732	49,116	(53,643)	(115)	(4,113)	63,977
Administrative expenses						(140,781)
Net impairment reversals on financial assets						126
Interest income						5,650
Interest expenses						(76,093)
Net exchange gains						367
Total loss before income tax						(130,356)
Income tax credit						13,235
Loss for the period						(117,121)
Other information						
Additions to property and equipment, right-of-use assets and intangible assets	50,231	247,139	12,672	—	—	310,042
Depreciation and amortization	8,568	129,768	28,579	—	—	166,915

	General Hospital RMB'000	Medical Examination Centers RMB'000	Specialty Hospitals RMB'000	Unallocated RMB'000	Elimination RMB'000	Total RMB'000
As at 31 December 2019 (audited)						
Segment assets	1,245,870	3,415,155	830,397	859,934	(2,280,779)	4,070,577
Segment liabilities	740,765	3,115,817	843,248	113,615	(1,305,804)	3,507,641

7 Property and equipment

	Buildings RMB'000	Medical equipments RMB'000	General equipments RMB'000	Leasehold improvements RMB'000	Others RMB'000	Construction in progress RMB'000	Total RMB'000
As at 1 January 2020							
Cost	255,415	532,180	85,532	744,628	11,710	197,080	1,826,545
Accumulated depreciation	(66,852)	(264,890)	(51,078)	(276,830)	(6,427)	–	(666,077)
Net book amount	188,563	267,290	34,454	467,798	5,283	197,080	1,160,468
Six months ended 30 June 2020							
Opening net book amount	188,563	267,290	34,454	467,798	5,283	197,080	1,160,468
Additions	–	–	5,280	–	3	107,593	112,876
Transfers	–	12,264	–	27,964	–	(40,540)	(312)
Disposals	–	(947)	(113)	–	–	(4,216)	(5,276)
Depreciation	(3,345)	(28,998)	(5,998)	(38,258)	(374)	–	(76,973)
Impairment (a)	–	–	–	(15,123)	–	–	(15,123)
Closing net book amount	185,218	249,609	33,623	442,381	4,912	259,917	1,175,660
As at 30 June 2020							
Cost	255,415	537,422	90,295	772,591	11,713	259,917	1,927,353
Accumulated depreciation	(70,197)	(287,813)	(56,672)	(315,087)	(6,801)	–	(736,570)
Impairment	–	–	–	(15,123)	–	–	(15,123)
Net book amount	185,218	249,609	33,623	442,381	4,912	259,917	1,175,660
As at 1 January 2019							
Cost	254,876	448,405	77,868	597,907	11,191	183,426	1,573,673
Accumulated depreciation	(59,623)	(223,715)	(40,994)	(217,930)	(5,717)	–	(547,979)
Net book amount	195,253	224,690	36,874	379,977	5,474	183,426	1,025,694
Six months ended 30 June 2019							
Opening net book amount	195,253	224,690	36,874	379,977	5,474	183,426	1,025,694
Additions	539	6,420	4,832	209	418	103,799	116,217
Transfers	–	46,414	–	86,139	–	(132,553)	–
Disposal of a subsidiary	–	–	(42)	–	–	(79)	(121)
Disposals	–	(164)	(35)	–	–	–	(199)
Depreciation	(3,885)	(27,000)	(5,623)	(32,893)	(346)	–	(69,747)
Closing net book amount	191,907	250,360	36,006	433,432	5,546	154,593	1,071,844
As at 30 June 2019							
Cost	255,415	495,588	82,171	679,195	11,609	154,593	1,678,571
Accumulated depreciation	(63,508)	(245,228)	(46,165)	(245,763)	(6,063)	–	(606,727)
Net book amount	191,907	250,360	36,006	433,432	5,546	154,593	1,071,844

As at 30 June 2020, buildings with a total carrying amount of RMB73,327,000 (31 December 2019: RMB74,851,000) were pledged for the Group's borrowings (Note 19).

7 Property and equipment (continued)

(a) Management is required to perform impairment review if a potential impairment is indicated. Management concluded that there was no indication of impairment of property and equipment and right-of-use assets of the Group other than those related to certain medical examination centres which have been in operation for more than two years as at 30 June 2020 but incurred operating losses in recent years, and those related to specialty hospitals which started operation recently, but which incurred operation loss larger than budgeted loss.

For the purpose of performing the recoverability assessment on the property and equipment and right-of-use assets for these medical examination centres and specialty hospitals, as these assets do not generate cash flow independently, management identified each of medical examination centre and specialty hospital as a Cash Generating Unit ("**CGU**"). The recoverable amount of the underlying CGU was determined based on the value-in-use ("**VIU**") calculations.

The calculations use cash flow projections based on financial budgets approved by management covering the following remaining term with a post-tax discount rate of 15% as at 30 June 2020 (31 December 2019: 15%). Other key assumptions for the VIU calculations included but not limited to revenue growth rate, profit margins, etc., which are determined based on the CGUs' past performance and management's expectations for the market development.

As at 30 June 2020, the Group recognised impairment loss of RMB15,123,000 related to property and equipment (31 December 2019: Nil).

8 Right-of-use assets

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Properties	**1,391,152**	1,479,170
Equipment	**68,536**	72,403
Land use rights	**3,148**	3,198
	1,462,836	1,554,771

8 Right-of-use assets (continued)

	Properties RMB'000	Equipment RMB'000	Land use rights RMB'000	Total RMB'000
As at 1 January 2020				
Cost	**1,672,915**	**78,538**	**4,698**	**1,756,151**
Accumulated depreciation	**(193,745)**	**(6,135)**	**(1,500)**	**(201,380)**
Net book amount	**1,479,170**	**72,403**	**3,198**	**1,554,771**
Six months ended 30 June 2020				
Opening net book amount	**1,479,170**	**72,403**	**3,198**	**1,554,771**
Additions	**16,759**	**—**	**—**	**16,759**
Revaluation (a)	**2,904**	**—**	**—**	**2,904**
Disposal	**(9,084)**	**—**	**—**	**(9,084)**
Depreciation	**(98,597)**	**(3,867)**	**(50)**	**(102,514)**
Closing net book amount	**1,391,152**	**68,536**	**3,148**	**1,462,836**
As at 30 June 2020				
Cost	**1,665,927**	**78,538**	**4,698**	**1,749,163**
Accumulated depreciation	**(274,775)**	**(10,002)**	**(1,550)**	**(286,327)**
Net book amount	**1,391,152**	**68,536**	**3,148**	**1,462,836**
As at 1 January 2019				
Cost	1,448,675	23,218	4,698	1,476,591
Accumulated depreciation	—	—	(1,400)	(1,400)
Net book amount	1,448,675	23,218	3,298	1,475,191
Six months ended 30 June 2019				
Opening net book amount	1,448,675	23,218	3,298	1,475,191
Additions	172,667	20,000	—	192,667
Depreciation	(93,024)	(1,788)	(50)	(94,862)
Closing net book amount	1,528,318	41,430	3,248	1,572,996
As at 30 June 2019				
Cost	1,621,342	43,218	4,698	1,669,258
Accumulated depreciation	(93,024)	(1,788)	(1,450)	(96,262)
Net book amount	1,528,318	41,430	3,248	1,572,996

(a) The Group has applied the practical expedient to all qualifying COVID-19-related rent concessions except for Beijing Ruitai (Note 3(a)). Beijing Ruitai did not meet the conditions of practical expedient, so revaluation has been applied, and lease liabilities and right-of-use assets have been adjusted accordingly.

9 Intangible assets

	Computer software RMB'000	Goodwill RMB'000	Total RMB'000
As at 1 January 2020			
Cost	**30,176**	**7,447**	**37,623**
Accumulated amortization	**(16,157)**	**—**	**(16,157)**
Impairment	**—**	**(7,447)**	**(7,447)**
Net book amount	**14,019**	**—**	**14,019**
Six months ended 30 June 2020			
Opening net book amount	**14,019**	**—**	**14,019**
Additions	**43**	**—**	**43**
Transfer from construction in progress	**312**	**—**	**312**
Amortization	**(2,398)**	**—**	**(2,398)**
Closing net book amount	**11,976**	**—**	**11,976**
As at 30 June 2020			
Cost	**30,531**	**7,447**	**37,978**
Accumulated amortization	**(18,555)**	**—**	**(18,555)**
Impairment	**—**	**(7,447)**	**(7,447)**
Net book amount	**11,976**	**—**	**11,976**
As at 1 January 2019			
Cost	26,731	7,447	34,178
Accumulated amortization	(11,326)	—	(11,326)
Impairment	—	(7,447)	(7,447)
Net book amount	15,405	—	15,405
Six months ended 30 June 2019			
Opening net book amount	15,405	—	15,405
Additions	1,158	—	1,158
Amortization	(2,306)	—	(2,306)
Closing net book amount	14,257	—	14,257
As at 30 June 2019			
Cost	27,889	7,447	35,336
Accumulated amortization	(13,632)	—	(13,632)
Impairment	—	(7,447)	(7,447)
Net book amount	14,257	—	14,257

10 Investments accounted for using equity method

	Unaudited	Unaudited
	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Opening balance	**7,125**	6,926
Share of results	**195**	391
Ending balance	**7,320**	7,317

The particulars of the joint venture and associate of the Group during the periods, which are unlisted, are set out as follows:

Company name	Country/date of incorporation	Paid-in capital	Equity interests held As at 30 June 2020	As at 31 December 2019	Principal activities
Shanghai Rich Meidi Management Consulting Co., Ltd.	29 October 2013, Shanghai, the PRC	RMB15,000,000	**60%**	60%	Joint Venture
Neijiang Rich Ruichuan Clinic Co., Ltd.	29 March 2017, Sichuan, the PRC	RMB12,610,000	**20%**	20%	Associate

11 Deposits for long-term leases

The Group paid deposits for leases of certain medical examination centers and specialty hospitals, which are due over 1 year from balance sheet date and are recoverable at the end of the lease term.

12 Deferred income tax assets

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Deferred income tax assets		
— to be recovered within 12 months	**27,496**	10,060
— to be recovered after 12 months	**141,668**	169,704
	169,164	179,764

12 Deferred income tax assets (continued)

The gross movement on the deferred income tax assets account is as follows:

	Unaudited Six months ended 30 June 2020 RMB'000	2019 RMB'000
At beginning of the period, as originally presented	**179,764**	142,880
(Debited)/credited to the condensed consolidated statement of profit or loss	**(10,600)**	33,827
At the end of the period	**169,164**	176,707

Movements in deferred income tax assets for both six months ended 30 June 2020 and 2019, without taking into consideration the offsetting of balance within the same tax jurisdiction, are as follows:

Deferred income tax assets	Tax losses carried forward RMB'000	Assets impairment RMB'000	Accruals and deferred income RMB'000	Share option scheme RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2020	**133,265**	**2,819**	**4,177**	**16,424**	**23,079**	**179,764**
(Debited)/credited to condensed consolidated statement of profit or loss	**(15,878)**	**(146)**	**–**	**3,030**	**2,394**	**(10,600)**
As at 30 June 2020	**117,387**	**2,673**	**4,177**	**19,454**	**25,473**	**169,164**
As at 1 January 2019	106,234	4,375	4,349	10,103	17,819	142,880
Credited to condensed consolidated statement of profit or loss	23,695	420	70	3,144	6,498	33,827
As at 30 June 2019	129,929	4,795	4,419	13,247	24,317	176,707

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realization of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of RMB126,131,000 (31 December 2019: RMB61,217,000) in respect of tax losses amounting to RMB504,524,000 (31 December 2019: RMB244,870,000) as at 30 June 2020. All these tax losses will expire within five years.

13 Trade receivables

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Trade receivables	**219,129**	308,177
Less: Loss allowance	**(12,274)**	(18,150)
	206,855	290,027

As at 30 June 2020 and 31 December 2019, the fair value of trade receivables approximated their carrying amount.

The aging analysis of trade receivables based on the date the relevant service was rendered is as follows:

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Trade receivables		
— Up to 6 months	**188,672**	272,223
— 6 months to 1 year	**21,689**	17,569
— 1 to 2 years	**3,870**	11,275
— 2 to 3 years	**2,802**	3,800
— Over 3 years	**2,096**	3,310
	219,129	308,177

14 Other receivables

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Deposits	**12,280**	12,903
Advances to staff	**8,885**	4,756
Interest receivable	**3,657**	3,944
Others	**14,255**	11,695
	39,077	33,298
Less: Loss allowance	**(117)**	(117)
	38,960	33,181

As at 30 June 2020 and 31 December 2019, the fair value of other receivables approximated their carrying amount.

15 Cash and bank balances

(a) Cash and cash equivalents

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Cash at bank and on hand		
— Denominated in RMB	**252,988**	264,812
— Denominated in USD	**159,160**	60,706
— Denominated in HKD	**4,529**	4,033
	416,677	329,551

(b) Restricted cash

As at 30 June 2020, fixed deposits of USD35,050,000 (31 December 2019: USD48,500,000) were pledged at banks for the Group's borrowings of RMB220,000,000 (31 December 2019: RMB300,000,000)(Note 19).

16 Prepayments

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Non-current:		
Prepayments for property and equipment	**198,236**	55,266
Current:		
Prepayments for consumables	**8,238**	9,506
Others	**10,304**	6,764
	18,542	16,270
Total prepayments	**216,778**	71,536

17 Share capital

Ordinary shares, issued and fully paid:

	Number of ordinary shares	Share capital RMB'000
As at 30 June 2020 and 31 December 2019	1,590,324,000	1,065

18 Reserves

	Share premium RMB'000	Treasury shares RMB'000	Merger and capital reserves RMB'000	Statutory reserves and other reserves RMB'000 (a)	Share option scheme RMB'000 (b)	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2020	**715,292**	**–**	**(131,508)**	**190,207**	**65,512**	**(196,333)**	**643,170**
Loss for the period	**–**	**–**	**–**	**–**	**–**	**(164,097)**	**(164,097)**
Share option scheme	**–**	**–**	**–**	**–**	**12,273**	**–**	**12,273**
As at 30 June 2020	**715,292**	**–**	**(131,508)**	**190,207**	**77,785**	**(360,430)**	**491,346**
As at 1 January 2019	717,007	–	(126,487)	183,780	39,878	(120,743)	693,435
Loss for the period	–	–	–	–	–	(60,241)	(60,241)
Share option scheme	–	–	–	–	12,754	–	12,754
Buy-back of ordinary shares	–	(429)	–	–	–	–	(429)
Change in ownership interest in subsidiaries without loss of control	–	–	(3,419)	–	–	–	(3,419)
As at 30 June 2019	717,007	(429)	(129,906)	183,780	52,632	(180,984)	642,100

(a) Statutory reserves and other reserves included the retained earnings of Nantong Rich Hospital as at 30 June 2014 amounted to RMB138,950,000 when Nantong Rich Hospital ceased to be a "not-for-profit medical organization". It is non-distributable and shall be used for the hospital's future development according to the requirements of local authorities.

(b) Share option scheme

The Group approved and launched a share option scheme on 19 September 2016. Pursuant to the share option scheme, two directors and one employee were granted the share options to subscribe for up to 47,710,500 shares of the Company. The share options will vest in four tranches at the third, the fourth, the fifth and the sixth anniversaries of the offer date and will only become exercisable from the respective vesting dates up to the tenth anniversary of the offer date. The subscription price payable upon the exercise of any share option is fixed at HKD1.60.

As at 30 June 2020, 47,710,500 outstanding options were not exercisable as they have not yet been vested (31 December 2019: 47,710,500). These options with an exercise price of HKD1.60 per share upon vesting will be expired on 19 September 2026.

18 Reserves (continued)

(b) Share option scheme (continued)

Another share option scheme was conditionally approved and adopted pursuant to a resolution of the shareholders of the Company passed on 19 September 2016. On and subject to the terms of the share option scheme, the Board shall be entitled at any time within ten years after 19 September 2016 to offer to grant to any non-executive director or independent non-executive director of the Company or any eligible employees of the Company as the Board may in its absolute discretion select, and subject to such conditions as the Board may think fit, an option to subscribe for such number of shares as the Board may determine at the subscription price. One director and ten employees were granted the share options to subscribe for up to 79,517,500 shares of the Company on 24 November 2017. The share options will vest in four tranches at the third, the fourth, the fifth and the sixth anniversaries of the offer date and will only become exercisable from the respective vesting dates up to the tenth anniversary of the offer date. The subscription price payable upon the exercise of the share options is fixed at HKD2.42.

As at 30 June 2020, 75,317,500 outstanding options were not exercisable as they have not yet been vested (31 December 2019: 75,317,500). These options with an exercise price of HKD2.42 per share upon vesting will be expired on 24 November 2027.

19 Borrowings

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Non-current:		
Bank borrowings- secured and/or guaranteed (a)	**430,057**	233,557
Other borrowings- secured and guaranteed (b)	**73,335**	49,205
	503,392	282,762
Less: Current portion of non-current borrowings	**(49,602)**	(23,486)
	453,790	259,276
Current:		
Bank borrowings- secured and/or guaranteed (c)	**644,550**	640,000
Add: Current portion of non-current borrowings	**49,602**	23,486
	694,152	663,486
Total borrowings	**1,147,942**	922,762

19 Borrowings (continued)

As at 30 June 2020, the Group's borrowings were repayable as follows:

	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Bank borrowings	659,830	32,200	250,577	132,000	1,074,607
Other borrowings	34,322	31,768	7,245	—	73,335
	694,152	63,968	257,822	132,000	1,147,942

(a) As at 30 June 2020, non-current bank borrowings include:

(i) RMB9,677,000 borrowings secured by buildings with net book value of RMB36,258,000; and

(ii) RMB107,640,000 borrowings secured by revenue collection rights of Changzhou Rich Obstetrics & Gynecology Hospital Co., Ltd., a subsidiary of the Group, and guaranteed by related parties, Dr. Fang Yixin ("**Dr. Fang**") and Dr. Mei Hong ("**Dr. Mei**").

(b) As at 30 June 2020, other borrowings include RMB29,774,000 borrowings secured by equipment with net book value of RMB41,592,000.

(c) As at 30 June 2020, short term bank borrowings include:

(i) RMB110,000,000 borrowings secured by buildings with net book value of RMB37,069,000; and

(ii) RMB220,000,000 borrowings secured by USD35,050,000 fixed deposits (Note 15(b)).

All the short-term and long-term borrowings are guaranteed by the Company's subsidiaries for each other.

As at 30 June 2020, all the borrowings were denominated in RMB and their fair value approximated their carrying amount.

As at 30 June 2020, borrowings of RMB595,107,000 were with floating interest rates.

19 Borrowings (continued)

Movements in borrowings are analysed as follows:

	RMB'000
Six months ended 30 June 2020	
As at 1 January 2020	**922,762**
Proceeds of bank borrowings	**574,550**
Proceeds of other borrowings	**40,270**
Repayments of bank borrowings	**(373,500)**
Repayments of other borrowings	**(16,140)**
Closing amount as at 30 June 2020	**1,147,942**
Six months ended 30 June 2019	
As at 31 December 2018	738,237
Effect of adoption of HKFRS 16	(16,380)
As at 1 January 2019	721,857
Proceeds of bank borrowings	435,050
Proceeds of other borrowings	16,190
Repayments of bank borrowings	(386,750)
Closing amount as at 30 June 2019	786,347

20 Other financial liabilities

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Redemption liability to non-controlling interests		
— Principal	**100,000**	100,000
— Interest	**22,666**	15,927
	122,666	115,927

On 31 August 2018, the Group signed an investment agreement ("**Investment Agreement**") with Everbright (Haimen) Senior Healthcare Investment Fund (Limited Partnership)("**Everbright (Haimen)**"), pursuant to which Everbright (Haimen) would contribute RMB100,000,000 in cash to Nantong Rich Hospital, a wholly owned subsidiary of the Group. Everbright (Haimen) was also granted a put option which will expire on 31 December 2023. Upon completion of such investment, Everbright (Haimen) would have 4.41% equity interest of Nantong Rich Hospital.

The option enables Everbright (Haimen) to request the Group to repurchase all of the Everbright (Haimen)'s equity interest in Nantong Rich Hospital if Nantong Rich Hospital fails to achieve a net profit of no less than RMB100,000,000 for the year ending 31 December 2022 or occurrence of any material adverse event as specified in the Investment Agreement, including but not limited to those would have material adverse effect to the ownership, assets and operations of Nantong Rich Hospital. The repurchase price is at aggregation of the amount equivalent to the capital contribution made by Everbright (Haimen) in the Nantong Rich Hospital and accumulated annual returns calculated on an annual compound investment return rate of 12% less the cumulative dividend paid to Everbright (Haimen) up to repurchase.

The execution of option right is secured by 22.06% equity interest of Nantong Rich Hospital held by the Group. Dr. Fang and Dr. Mei undertook to jointly and severally responsible for the repurchase.

The above arrangement represents an obligation for the Group to purchase its own equity instruments for cash or another financial asset, that is recognised as a financial liability at present value of the redemption amount.

21 Deferred income

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Government grants	**13,423**	13,423

22 Lease liabilities

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Present value of the minimum lease payments:		
Within 1 year	**305,267**	267,211
After 1 year but within 2 years	**239,586**	255,589
After 2 year but within 5 years	**551,062**	570,488
After 5 years	**526,028**	583,800
	1,621,943	1,677,088

23 Contract liabilities

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Sales of medical examination cards	**177,383**	134,640
Advances from medical examination customers	**91,579**	83,376
Advances from hospital patients	**12,107**	11,141
	281,069	229,157

The contract liabilities represent prepayments received from patients and customers and will be recognised in profit or loss when services are rendered to the relevant patients and customers.

24 Trade and other payables

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Trade payables due to third parties (b)	**167,024**	142,207
Payables for purchase of property and equipment	**109,334**	135,337
Staff salaries and welfare payables	**83,021**	103,537
Loans from non-controlling interests of subsidiaries (a)	**81,174**	60,982
Deposits payable	**6,085**	6,100
Accrued taxes other than income tax	**4,784**	5,101
Interest payables	**1,430**	873
Accrued advertising expenses	**733**	2,657
Accrued professional service fees	**500**	2,260
Others	**55,345**	56,486
	509,430	515,540

(a) Balance represents loans from non-controlling interests of subsidiaries, which are unsecured. As at 30 June 2020 and 31 December 2019, loans from non-controlling interests of subsidiaries bore interest rate at 8% per annum.

24 Trade and other payables (continued)

(b) The aging analysis of the trade payables based on invoice date is as follows:

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Trade payables		
— Up to 3 months	**95,533**	109,866
— 3 to 6 months	**36,202**	12,416
— 6 months to 1 year	**18,147**	6,434
— 1 to 2 years	**7,259**	4,024
— 2 to 3 years	**1,389**	2,172
— Over 3 years	**8,494**	7,295
	167,024	142,207

The trade and other payables are usually paid within 60 days of recognition. As at 30 June 2020 and 31 December 2019, the fair value of all trade and other payables approximated their carrying amount.

25 Revenue

Revenue of the Group consists of the following:

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
General Hospital		
Outpatient pharmaceutical revenue	**21,990**	24,885
Outpatient service revenue	**29,960**	30,592
Inpatient pharmaceutical revenue	**111,866**	106,326
Inpatient service revenue	**88,594**	79,660
Medical Examination Centers		
Examination service revenue	**289,913**	440,639
Management service revenue and others	**229**	1,256
Specialty Hospitals		
Outpatient pharmaceutical revenue	**1,106**	648
Outpatient service revenue	**10,120**	3,919
Inpatient pharmaceutical revenue	**398**	259
Inpatient service revenue	**29,084**	14,749
	583,260	702,933

26 Other income

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Government grants	**1,910**	551
Rental income	**654**	296
Net income from medical equipment sales	**79**	11,774
Others	**6,757**	3,561
	9,400	16,182

27 Expenses by nature

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Employee benefits expenses	**334,412**	351,969
Depreciation and amortization	**181,885**	166,915
Pharmaceutical costs	**78,854**	72,511
Medical consumables costs	**44,150**	53,009
Outsourcing testing expenses	**30,592**	30,325
Utility expenses	**29,609**	27,286
Impairment losses on property and equipment (Note 7)	**15,123**	—
Office expenses	**11,049**	14,177
Professional service charges	**9,627**	14,836
Maintenance expenses	**3,574**	4,029
Entertainment expenses	**3,091**	5,967
Short-term or low-value operating lease rentals	**2,089**	3,228
Advertising expenses	**2,008**	12,350
Travel expenses	**1,606**	2,929
Stamp duty and other taxes	**1,691**	1,612
Auditor's remuneration	**664**	1,124
Net impairment reversals on receivables	**(3,237)**	(126)
COVID-19-related rent concessions (Note 3(a))	**(15,572)**	—
Other expenses	**12,989**	17,470
	744,204	779,611

28 Finance costs — net

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Interest on lease liabilities	**52,139**	49,522
Interest on borrowings	**32,190**	20,369
Interest on other financial liabilities	**6,739**	6,202
	91,068	76,093
Amount capitalised	**(8,885)**	—
Finance costs	**82,183**	76,093
Net exchange gains	**(6,054)**	(367)
Interest income	**(4,757)**	(5,650)
Finance income	**(10,811)**	(6,017)
Finance costs — net	**71,372**	70,076

29 Income tax expense/(credit)

The amount of income tax expense/(credit) recognised in the condensed consolidated statement of profit or loss represents:

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Current income tax		
— Current period	**14,630**	19,128
— Adjustments for current tax of prior years	**(293)**	1,464
Deferred income tax (Note 12)	**10,600**	(33,827)
Income tax expense/(credit)	**24,937**	(13,235)

29 Income tax expense/(credit) (continued)

The income tax on the Group's loss before income tax differs from the theoretical amount that would arise using the enacted tax rate of the home country of the companies within the Group as follows:

	Unaudited Six months ended 30 June **2020** **RMB'000**	 2019 RMB'000
Loss before income tax	**(225,276)**	(130,356)
Tax calculated at the applicable income tax rate (25%)	**(56,319)**	(32,589)
Tax effect of:		
Tax loss expired	**1,834**	3,136
Income not subject to tax	**(822)**	(2,436)
Expenses not deductible for tax purpose	**2,525**	1,892
Utilization/recognition of tax losses and temporary differences not recognised as deferred tax assets in prior years	**(1,678)**	(2,324)
Temporary differences not recognised as deferred tax assets	**11,448**	1,042
Tax losses not recognised as deferred tax assets	**68,242**	16,580
Adjustment for prior years	**(293)**	1,464
Income tax expense/(credit)	**24,937**	(13,235)

The corporate income tax rate applicable to the Group's subsidiaries located in mainland China is 25%.

The Company is registered in the Cayman Islands, and hence is not subject to corporate income tax. Two subsidiaries in the Group registered in the British Virgin Islands are not subject to corporate income tax.

No provision for Hong Kong profits tax has been made as the Group does not have assessable profits subject to Hong Kong profits tax during the six months ended 30 June 2020 and 2019.

The PRC corporate income tax law and its implementation rules impose a withholding tax at 10% for dividends distributed by a PRC-resident enterprise to its immediate holding company outside the PRC for earnings generated beginning 1 January 2008 and undistributed earnings generated prior to 1 January 2008 are exempted from such withholding tax. A lower 5% withholding tax rate may be applied when the immediate holding companies are established in Hong Kong according to the tax treaty arrangement between the PRC and Hong Kong. The directors of the Company had confirmed that retained earnings of the Group's PRC subsidiaries as at 30 June 2020 will not be distributed in the foreseeable future.

30 Loss per share

(a) Basic

Basic loss per share is calculated by dividing the net loss attributable to the owners of Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2020 and 2019, respectively.

	Unaudited Six months ended 30 June 2020	 2019
Net loss attributable to owners of the Company (RMB'000)	**(164,097)**	(60,241)
Weighted average number of ordinary shares in issue	**1,590,324,000**	1,591,982,912
Basic loss per share (RMB)	**(0.10)**	(0.04)

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted number of ordinary shares in issue for the potential dilutive effect caused by the share options granted under the share option scheme assuming they were exercised.

For the six months ended 30 June 2020 and 2019, as the average market share price of the Company's share was lower than assumed exercise price including the fair value of any services to be supplied to the Group in the future under the share option arrangement, there would be no dilutive impact.

31 Contingencies

As at 30 June 2020, the Group had four ongoing medical disputes arising from the operation of Nantong Rich Hospital and several disputes arising from medical examination centers which have not been settled. The Group has assessed the individual cases and taken into account of the expenses incurred and recorded, the Group believes the financial exposure in relation to the ongoing disputes shall not be material and thus no additional provision was made in this respect.

32 Commitments

(a) Capital commitments

Capital expenditure contracted for but not yet incurred at each balance sheet date, is as follows:

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Authorized and contracted for:		
Nantong Rich Hospital Phase II	**172,775**	222,481
System upgrade expenditure	**11,034**	2,451
Leasehold improvement	**654**	4,059
	184,463	228,991

33 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, has joint control over the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control.

The ultimate controlling shareholders of the Group are Dr. Fang and Dr. Mei.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the six months ended 30 June 2020 and 2019 and balances arising from related party transactions as at 30 June 2020 and 31 December 2019.

(a) Name and relationship with related parties

Name of related party	Relationship with the Group
Dr. Fang (方宜新)	Controlling shareholder
Dr. Mei (梅紅)	Controlling shareholder
Mr. Fang Haoze (方浩澤)	Close family member of Dr. Fang and Dr. Mei
Shanghai Rich Healthcare Management Company Limited (上海瑞慈健康體檢管理股份有限公司) ("**Shanghai Rich Medical Exam**")	Controlled by Dr. Fang
Nantong Rich Real Estate Development Co., Ltd. (南通瑞慈房地產開發有限公司)	Controlled by Dr. Fang
Nantong Rich Meidi Elderly Care Center (南通瑞慈美邸護理院有限公司) ("**Nantong Meidi**")	Subsidiary of the joint venture

33 Related party transactions (continued)

(b) Saved as elsewhere disclosed in this financial statement, the following transactions were carried out with related parties:

(i) Expenses paid on behalf of related parties by the Group

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Nantong Meidi	**286**	303
Nantong Rich Real Estate Development Co., Ltd.	**13**	291
	299	594

(ii) Purchase of goods and services

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Mr. Fang Haoze	**150**	150

(iii) Services provided to related parties

	Unaudited Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
Nantong Meidi	**500**	350

33 Related party transactions (continued)

(b) Saved as elsewhere disclosed in this financial statement, the following transactions were carried out with related parties: (continued)

(iv) Guarantee provided by related parties for borrowings of the Group

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Dr. Fang and Dr. Mei	**107,640**	107,640

(v) Guarantee provided by related parties for financial liabilities of the Group

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Dr. Fang and Dr. Mei	**122,666**	115,927

(c) Key management compensation

Key management is directors, including executive directors and non-executive directors. The compensation paid or payable to key management for employee services is shown below:

	Unaudited Six months ended 30 June 2020 RMB'000	 2019 RMB'000
Share option scheme	**3,101**	3,449
Salaries and other short-term employee benefits	**1,019**	1,400
Pension	**44**	163
	4,164	5,012

33 Related party transactions (continued)

(d) Balances with related parties

(i) Amounts due from related parties

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Nantong Meidi	**1,564**	830
Mr. Fang Haoze	**150**	150
Nantong Rich Real Estate Development Co., Ltd.	**13**	—
	1,727	980
Less: Loss allowance	**—**	—
	1,727	980

The amounts due from related parties are mainly for expenses paid on behalf of related parties or services provided by the Group, which were unsecured and non-interest bearing.

(ii) Amounts due to related parties

	Unaudited As at 30 June 2020 RMB'000	Audited As at 31 December 2019 RMB'000
Shanghai Rich Medical Exam	**1,500**	1,500
Mr. Fang Haoze	**150**	—
	1,650	1,500

The amounts due to related parties are mainly for services provided by the related parties.

34 Dividend

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2020 (2019: nil).

35 Subsequent event

On 17 July 2020, Shanghai Rich Medical Investment Group Co., Ltd. ("**Shanghai Rich Medical**", an indirectly wholly-owned subsidiary of the Company) entered into equity transfer agreements with Shanghai XDWYS Asset Management Co., Ltd. (the "**Vendor**") in respect of the transfer of 30% equity interest in each of Guangzhou Rich Zhongxin Clinic Co., Ltd., Suzhou Rich Ruihe Clinic Co., Ltd., Nanjing Rich Ruixiang Clinic Co., Ltd., Nantong Rich Ruifeng Clinic Co., Ltd., Wuxi Rich Ruixi Clinic Co., Ltd., Yangzhou Rich Ruiyang Integrated Chinese and Western Medicines Clinic Co., Ltd. and Xuzhou Rich Ruixu Clinic Co., Ltd. (collectively, the "**Target Companies**") from the Vendor to Shanghai Rich Medical, at a total consideration of RMB155,000,000. Upon completion of such transactions, the Vendor will cease to hold any equity interest in the Target Companies, and the Company will indirectly hold 81% equity interest through its subsidiaries in each of the Target Companies.

瑞慈醫療服務控股有限公司
RICI HEALTHCARE HOLDINGS LIMITED

股份代號 Stock Code: 1526

於開曼群島註冊成立之有限公司 Incorporated in the Cayman Islands with limited liability